

DOCUMENT RESUME

ED 166 323

UD 019 120

AUTHOR Paller, Alan T.; Gutmann, Babette
TITLE Current Subcounty Allocation Practices: Volume I of the Title I, ESEA, Subcounty Allocation Study.
INSTITUTION Applied Urbanetics, Inc., Washington, D.C.
SPONS AGENCY National Inst. of Education (DHEW), Washington, D.C.
PUB DATE May 77
CONTRACT 400-76-0158
NOTE 83p.; All tables and Appendix One may be marginally legible; Not available in hard copy due to reproducibility of the original document; For related documents, see ED 128 500, UD 019 119, and UD 019 121-123

EDRS PRICE MF-\$0.83 Plus Postage. HC Not Available from EDRS.
DESCRIPTORS Administrative Agencies; *Board of Education Policy; Compensatory Education; Cost Effectiveness; *Data; *Data Collection; Efficiency; Elementary Secondary Education; *Program Evaluation; *Resource Allocations; State Federal Aid
IDENTIFIERS *Elementary Secondary Education Act Title I

ABSTRACT

In this report, subcounty allocation of Title I of the Elementary and Secondary Education Act (ESEA) funds is described in terms of direct allocation, use of the statutory formula emphasizing census data, United States Office of Education (USOE) regulations, participating states, geographic and administrative overlaps, hold harmless adjustments and reallocation procedures. Methods States use for allocation within counties are explained. Acquisition of data for subcounty allocation are outlined with reference to: (1) complaints from school districts concerning the subcounty allocation of funds; (2) USOE reviews of State programs; (3) costs incurred by State and local agencies; and (4) systematic assessment of subcounty allocated funds. An annotated reprint of Title I of the ESEA, Title I, as amended, is appended. (WI)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED166323

Volume I
of the Title I, ESEA,
Subcounty Allocation Study

**Current
Subcounty Allocation
Practices**

Alan T. Paller and Babette Gutmann

National Institute of Education
Contract 400-76-0158

May 1977



U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY.

UD019120

Applied Urbanetics, Inc.
1701 K St., N.W., Washington, D.C. 20006

ACKNOWLEDGEMENTS

We gratefully acknowledge the enthusiastic support of the fifty State Title I coordinators and the generous assistance of Mrs. Carolyn Horner of the U.S. Office of Education. These individuals provided the basic information that enabled us to compile this summary of state practices.

We are especially indebted to the eleven State Title I coordinators who donated their extra time and energy to provide frank appraisals of their subcounty allocation methods as well as various alternatives for changing these methods.

Finally, we would like to thank Ms. Genovieve Dane of the U.S. Office of Education for her incisive review of the draft.

Project Staff

Applied Urbanetics, Inc.

Alan Paller
Lynette Ferrara
Babette Gutmann
Steve Smith
Dianne Seiffert
Dennis Linnell
Robert Corkhill
Barbara Baker
Susan Boyle
Pat Bowman
Rita Bamberger

Consultants

Seymour Sacks
Syracuse University
Eugene McLoone
University of Maryland

Government Monitors and Reviewers

James Harvey, NIE, Project Monitor
Charles Troob, NIE

VOLUME I

CURRENT SUBCOUNTY ALLOCATION PRACTICES

Table of Contents

	Page
FOREWORD.....	1
EXECUTIVE SUMMARY.....	3
CHAPTER 1. WHAT IS SUBCOUNTY ALLOCATION?	10
A. Direct allocation to school districts was the intent of Title I.....	10
B. The Statutory formula emphasizes 1970 Census data.....	12
C. USOE regulations emphasize currency.....	16
D. Forty-six states make subcounty allocations.....	18
E. Geographic and administrative overlaps add complexity to the subcounty allocation process.....	18
F. Hold harmless adjustments and reallocation of unused funds are the final step in determining district allocations.....	21
CHAPTER 2. HOW DO STATES ALLOCATE WITHIN COUNTIES?.....	25
A. State formulas emphasize consistency, currency, or conciliation.....	25
B. The dominant pattern in the selection of formulas is the reliance on Census data by three-fourths of the states.....	29

Table of Contents (continued)

	Page
CHAPTER 2.	
C. Children in institutions for the Neglected and Delinquent are included in subcounty allocation.....	30
D. A majority of states use counts of foster children in their subcounty allocation formulas.....	31
E. Approximately one percent of Title I allocations are reallocated.....	31
F. Substate allocation has replaced subcounty allocation in four states.....	33
G. States apply hold harmless techniques in subcounty allocation.....	36
H. States must arbitrate competing claims where multiple school districts serve children from the same area.....	36
CHAPTER 3. HOW DO STATES ACQUIRE DATA FOR SUBCOUNTY ALLOCATION?.....	39
A. 1970 Census data are available from five sources.....	41
A.1. Introduction to Census Data.....	43
A.2. States currently use four of the five available Census sources.....	49
B. AFDC data gathering depends on welfare agency cooperation.....	53
B.1. Collection of data.....	53
B.2. AFDC Payment Levels.....	57
C. Data on children in institutions for the neglected and delinquent are readily available.....	59
D. Data on children in foster homes require the same gathering procedures used for AFDC.....	59

Table of Contents (continued)

	Page
CHAPTER 3.	
E. State income tax data are used in Iowa.....	62
F. Free Lunch data are used only in Arkansas.....	62
G. Few states use average daily attendance for allocation of Title I.....	62
CHAPTER 4. WHAT ARE THE COSTS AND ADMINISTRATIVE PROBLEMS OF SUBCOUNTY ALLOCATION?.....	63
A. States receive few complaints from school districts concerning the subcounty allocation of funds.....	63
B. USOE reviews of state programs rarely find fault with subcounty allocation techniques.....	64
C. Costs are incurred by both state and local agencies for subcounty allocation and the majority of recurring costs are borne by local agencies.....	65
D. A systematic assessment of the distribution of subcounty allocated funds would provide valuable policy information.	67
APPENDIX 1 - TITLE I OF THE ELEMENTARY AND SECONDARY EDUCATION ACT, AS AMENDED	

List of Tables

	<u>Page</u>
Table 1.1 Number of Eligible Children Under Title I of the Elementary and Secondary Education Act as Amended, Fiscal Year 1977.....	14
Table 1.2 School Districts Involved in Subcounty Allocation, by State.....	19
Table 1.3 School Districts in More Than One County, by State.....	20
Table 1.4 Unified and Non-Unified School Districts, by State, Fall 1973.....	22
Table 2.1 Formulas Used for Subcounty Allocation by State, Fiscal Year 1977.....	27
Table 2.2 Inclusion of Foster Children in Subcounty Allocation Formulas, by State, Fiscal Year 1977.....	32
Table 2.3 Extent and Rationale of Reallocation of Title I Funds, by State, Fiscal Year 1976.....	34
Table 2.4 Formulas Used by States Performing Substate Allocation, Fiscal Year 1977.....	37
Table 3.1 Overview of Data Sources Used in Subcounty Allocation by State, Fiscal Year 1977.....	40
Table 3.2 Sources of 1970 Census Counts of Children 5-17 in Families With Incomes Below Poverty.....	50
Table 3.3 Tabulations of 1970 Census Counts Used for Subcounty Allocation, by State, Fiscal Year 1977.....	52
Table 3.4 Census Data (1970) Tabulations and Methods Used for Districts With Enrollments Less Than 300, by State, Fiscal Year 1977.....	54

	<u>Page</u>
Table 3.5 Methods of Acquiring School District Level AFDC Counts, by State, Fiscal Year 1977.....	56
Table 3.6 Percent of Title I Eligible Children who are in Families Receiving AFDC Payments Above the Current Poverty Line, by State, Fiscal Year 1977.....	58
Table 3.7 Methods of Acquiring School District Level Counts of Foster Children, by State, Fiscal Year 1977.....	61
Table 4.1 Subcounty Allocation Costs, by State, Fiscal Year 1976.....	66

List of Figures

	<u>Page</u>
Figure 1.1 Components of Funds Allocation Under Title I of the Elementary and Secondary Education Act.....	11
Figure 1.2 Number of Eligible Children Under Title I of the Elementary and Secondary Education Act, Fiscal Year 1966 Through Fiscal Year 1977....	15
Figure 3.1 Census Geographic Areas.....	42

FOREWORD

This is the first of a four-volume report describing subcounty allocation of funds appropriated under Title I of the Elementary and Secondary Education Act of 1965, as amended in the Education Amendments of 1974 (P.L. 93-380). By Federal formula, allocations are determined by county. Therefore, subcounty allocation is the term given to the procedures used by states to apportion county allocations to school districts. At this point, the Congress is concerned that the subcounty allocation of Title I funds may lead to distributional effects that were not intended. The P.L. 93-380 Conference Report noted some of the reasons for this concern:

"The conferees are concerned that the Department of Health, Education and Welfare, since the enactment of Title I, has administered the program in such a manner that funds are allocated to counties rather than to local education agencies, the units entitled to receive funds under the Title. The use of this administrative device could mean that school districts with increasing numbers of Title I eligible children in counties with static or declining numbers of such children may be denied rightful increases in Title I allocations.

The conference committee does not wish these statements to be construed as condoning the present HEW practice of using county-level data as a substitute for local education agency-level data in calculating hold harmless levels. Rather, the conferees intend that this amendment as well as the 85 percent hold harmless provision, serve as an incentive to the Office of Education to collect appropriate local education agency-level data necessary to implement the Amendments."

A separate section of P.L. 93-380 authorized the National Institute of Education (NIE) to conduct studies of compensatory education, including consideration of the feasibility, cost, and consequences of alternative ways of distributing federal compensatory education funds.

In September 1976, NIE contracted with Applied Urbanetics, Inc., to conduct an assessment of subcounty allocation. The results of that assessment are to be presented in four volumes:

- Volume I. Current Subcounty Allocation Practices;
- Volume II. Analysis of Implications of Variation in Subcounty Allocation Formulas;
- Volume III. Direct Allocation to School Districts, by USOE: A Feasibility Study;
- Volume IV: Executive Summary

Volume I, Current Subcounty Allocation Practices, describes the origin and extent of the subcounty allocation process, the formulas and data sources used by the states, the methods used to collect and process data, and the costs of those methods.

Volume II, Analysis of Implications of Variation in Subcounty Allocation Formulas, will describe the results of statistical analyses which identify the types of districts that gain or lose under various alternative formulas, as well as the extent of such gains and losses.

Volume III, Direct Allocation to School Districts, by USOE: A Feasibility Study, will assess the capability of the U.S. Office of Education to determine district allocations in some or all states, will describe the benefits and drawbacks of direct allocation and will compare the level of effort required for direct allocation with that of the current state and local process.

Finally, Volume IV, the Executive Summary will draw upon the preceding three volumes in order to define and evaluate policy issues such as who should perform subcounty allocation and how much flexibility should be allowed in selection, collection and weighting of data sources.

EXECUTIVE SUMMARY

Title I of the Elementary and Secondary Education Act¹ authorizes financial assistance to school districts and provides a formula² (referred to as the "statutory formula") for determining the entitlements of each school district. The drafters of Title I were aware that data needed to employ the statutory formula were not readily available for all school districts. The needed data however, are collected for counties, a unit of government that is rarely coterminous with school districts. To bridge this data gap, Title I included a clause indicating that a county entitlement:

"shall be allocated among those (local education) agencies upon such equitable basis as may be determined by the state education agency in accordance with basic criteria prescribed by the Commissioner."

¹ Elementary and Secondary Education Act of 1965, as amended, including changes made by P. L. 93-380, approved August 21, 1974.

² The formula calculates entitlements by multiplying the number of formula-eligible children times 40 percent of the state average per pupil expenditures (SAPPE) so long as the latter amount is not less than 80 percent nor more than 120 percent of the Federal average per pupil expenditure. Since the SAPPE is constant for a state, only data on formula-eligible children posed a subcounty allocation problem. Formula-eligible children include those aged 5-17 from families below poverty (determined using the same criteria used by the Bureau of Census in compiling the 1970 decennial Census); plus two-thirds of the children aged 5-17 in families receiving AFDC payments (under Title IV of the Social Security Act) in excess of the poverty level for a nonfarm family of four, as updated from the 1970 levels based on the Consumer Price Index; plus children aged 5-17 living in institutions for neglected and delinquent children (other than institutions operated by the U.S. government) or being supported in foster homes with public funds.

The states were given broad discretion to select data that best reflected poverty concentrations. Analysts of the current subcounty allocation system have suggested that this discretion may lead to inequitable treatment of districts.

Inequitable treatment of districts could arise from one of several causes:

1. unreliable data available for school districts;
2. errors in processing the data; and
3. formulas and procedures that favor special classes of districts.

This current study was also designed to look at the cost consequences of the current procedures and at the effects on district allocations of USOE's practice of applying hold harmless at the county level.

Because a definitive description of subcounty allocation has not existed, no comprehensive information has been available to document the existence and the extent of these several problems. One earlier study, conducted by the Stanford Research Institute³ (SRI), presented data for a small sample of counties showing that alternative measures of poverty lead to substantially different subcounty allocation to school districts and that, further, use of the 1970 Census data leads to significantly different distribution of funds than would more timely information. However, the SRI study did not document the extent of the effect of these differences on actual Title I allocations nor did it attempt to determine the potential nationwide impact of changes in subcounty allocation regulations.

If inequities are found to be widespread, then Congress might select an alternative for the allocation system. Three often suggested alternatives are:

1. doing away with the current subcounty allocation procedures and replacing them with direct allocation by USOE to school districts;
2. mandating a single formula for all states, or

³ Subcounty Allocation of ESEA Title I Funds, Stanford Research Institute, Menlo Park, California January, 1975.

3. allocating funds to the state level and leaving all allocation within the state to the states.

Before any decisions can be made on whether changes in subcounty allocation are desirable or feasible, a definitive description is needed of the diversity of criteria states are using to make subcounty allocation decisions, the methods used by the states to collect the data for subcounty allocation, and the costs of the process. In addition, the question of equity must be answered both from a subjective perspective and through analysis of objective data.

This first volume describes the current subcounty allocation process and its costs, while the results of statistical analyses of actual allocations to districts are presented in the second volume.

The remainder of this section presents brief summaries of the major generalizations and conclusions that can be drawn from our assessment of current subcounty allocation practices.

A. Who must perform subcounty allocation?

State education agencies are responsible for subcounty allocation in forty-six states. School districts coincide with counties in the four remaining states: Florida, Maryland, Nevada and West Virginia. In the subcounty states, the extent of the task ranges from only four districts in two counties in Louisiana to more than seven hundred districts in several hundred counties in each of four states - California, Illinois, New York and Texas.

B. What are the basic decisions made by states?

Each state, in choosing a formula, makes decisions on three basic questions:

1. whether to maintain consistency with the statutory formula or select data sources that provide more current data,
2. whether available current data are sufficiently reliable and unbiased to be employed in funds allocation, and
3. whether year-to-year shifts in funds are to be minimized or encouraged.

In making these decisions, states are required to comply with USOE regulations which encourage currency rather than consistency with the statutory formula.

C. What formulas have states chosen to use?

A majority of states attempt to replicate the statutory formula in subcounty allocation. Twenty-four states use the statutory formula which includes 1970 Census data and two-thirds of the counts of children 5-17 in families receiving Aid to Families with Dependent Children (AFDC) payments in excess of the updated poverty line (if the state has any such children). Two of these states, Idaho and North Dakota, assign county counts of Census poor children to school districts with enrollment under 300 on the basis of average daily attendance. The other twenty-two states use a variety of formulas including:

1. Census plus 100 percent of AFDC children above poverty (Connecticut and Vermont);
2. exclusive use of 1970 Census data (Indiana, Arizona, Virginia and Washington);
3. exclusive use of total counts of AFDC children (Wyoming, Montana, Missouri, Massachusetts, Delaware and California);
4. Free Lunch and AFDC (Arkansas);
5. 1970 Census data and total AFDC (Nebraska and Utah) (Nebraska assigns county counts of Census data to all school districts on the basis of average daily attendance);
6. 1970 Census data with weights of total counts of AFDC children (Colorado, Georgia and Hawaii) (Colorado assigns county counts of Census data to school districts with enrollment under 300 on the basis of average daily attendance);
7. state income tax data and total AFDC (Iowa).

In three states, Alabama, Louisiana, and North Carolina, a statewide formula is not in use. Instead, within each county, the superintendents agree on the selection of data sources such as Free Lunch, local school surveys, 1970 Census, 1960 Census, and AFDC data.

D. Why were these formulas selected?

States that selected subcounty allocation methods other than the statutory formula generally did so either to use more up-to-date information than the 1970 Census or to allow local

education agencies to negotiate subcounty allocations on the basis of a variety of data sources.

E. Is the subcounty allocation process the final determinant of the school district allocation?

The procedures used to select a formula, and to select data sources to implement the formula in subcounty allocation, are not the final determinants of school district allotments. Several events may occur after the initial determination of subcounty allocations which will affect a district's final allocation.

1. Districts may submit Title I applications for less than the amount of their allocation.
2. Districts may refuse funds.
3. Districts may be awarded less than the amount of their allocation because their application is not fully acceptable to the state.

As a result, states may have unallocated funds available for distribution to school districts. Approximately 1 percent of Title I funds are reallocated for these reasons.

F. Have the states changed formulas to use current data?

As the Census data ages, states have not changed their subcounty allocation techniques to use more current data sources. There appear to be three reasons for the lack of change.

1. States place high priority on maintaining grants at constant or growing levels and avoiding abrupt decreases (new data sources are likely to create losses as well as gains).
2. USOE guidance to states has left some with the impression that updating techniques are not acceptable.
3. Data gathering problems increase as the states choose sources other than Census plus two-thirds AFDC above poverty.

G. Do all states adhere to county allocations?

Four states do not adhere to county allocations. Rather, officials in these states allocate through "substate"

procedures by pooling all the county allocation funds and dividing them among all school districts statewide. Substate allocation occurs in Iowa, Minnesota, North Dakota and Oregon.

H. How do states obtain Census data for school districts?

Of the states that include Census data in their formulas, fewer than half use school district tabulations of Census data compiled by USOE. Most of the remainder prepare their own estimates of school district Census data by retabulating tract or minor civil division (towns and townships) data on the basis of local knowledge.

I. How do SEAs obtain AFDC data for school districts?

The state welfare agencies are required to supply county level counts of children in families receiving Aid to Families with Dependent Children (AFDC). However, if state education agencies need AFDC counts at the school district level for subcounty allocation, it remains their responsibility to gather the data. Welfare agency cooperation is essential for gathering annual school district counts of children in families receiving AFDC. Many states delegate the responsibility for data gathering to the local education agencies which, in turn, must depend on welfare agency assistance in providing counts of children by school district or lists of names or addresses of children in AFDC families. When LEAs get such lists, staff must correlate them either with enrollment lists or with school district maps.

J. What problems are apparent in the data gathering procedures?

Procedures for compiling both Census data and AFDC data contain significant methodological weaknesses. Major Census data weaknesses include a 20 percent sample rather than a complete census for income data and systematic undercounting of minority groups. These weaknesses affect the county allocations as well as subcounty allocation. Reliability of school districts' census data is also affected by the need to allocate Census data to school districts when the Census Bureau data is not tabulated for areas that coincide with school districts.

AFDC data for school districts are developed either by matching a child's address to boundaries of school districts or by asking the child's family when they apply for AFDC. For accuracy both methods depend on knowledge of school district boundaries. To the extent that such knowledge is incomplete, AFDC data for school districts may be inaccurate.

K. How much does subcounty allocation cost SEAs?

Recurring costs for calculating subcounty allocation are minimal and account for no more than an estimated 1.7 percent of state administration funds in most states. Michigan is the lone exception with costs approximating 3.5 percent of state administration funds.

L. What share of subcounty allocation costs are borne by local agencies?

Local education and welfare agencies bear the major recurring costs for compiling AFDC and foster children counts by school district but available data appear to indicate that these costs are not significant.

M. What has been the experience of USOE reviewers in examining subcounty allocation procedures?

Of more than one hundred program review letters sent to states during FY 1976, eleven referred to the state's subcounty allocation procedures, of which only four cited problems which needed correction.

N. Are state education agencies dissatisfied with their current subcounty allocation procedures?

State Title I coordinators do not express dissatisfaction with their current subcounty allocation methods. Although several coordinators indicated they would welcome more flexibility in the area of substate allocation, few expressed support for the idea of direct USOE allocation to school districts. Their major objection to direct USOE allocation is that they would still have to respond to competing local claims but would not have the authority to shift funds.

The extensive variety and complexity of subcounty allocation procedures are documented in this volume. Still to be resolved, in later volumes of this report, is the impact of these procedures on the funds received by districts.

CHAPTER 1. WHAT IS SUBCOUNTY ALLOCATION?

Subcounty allocation is the term used to describe state procedures for dividing county entitlements (under Title I of the Elementary and Secondary Education Act of 1965, as amended) among the school districts partially or wholly contained within each county.

This section reviews the statutes and the regulations that define subcounty allocation and provides an overview of the tasks states must complete in order to comply with the regulations. Figure 1.1 illustrates those tasks.

A. Direct allocation to school districts was the intent of Title I.

Subcounty allocation, as currently practiced, arose because of limitations in available data rather than Congressional intent. Title I itself, which is reproduced in part in Appendix 1, stated that the grants were to be calculated on the basis of the number of children, "ages five through seventeen, inclusive, in the school district of the local education agency," who were economically disadvantaged. (The formula is described more fully in Section B.) Because the Bureau of the Census informed Congress that appropriate data were not compiled for school districts, except where such districts coincided exactly with counties, cities, or towns, Title I went on to say:

"In any case in which such data are not available, the grant for any local education agency in a state shall be determined on the basis of the aggregate amount of such grants for all such agencies in the county or counties in which the school district of the particular agency is located, which aggregate amount shall be equal to the aggregate amount determined under the two preceding sentences for such county or counties, and shall be allocated among those agencies upon such equitable basis as may be determined by the state education agency in accordance with basic criteria prescribed by the Commissioner."

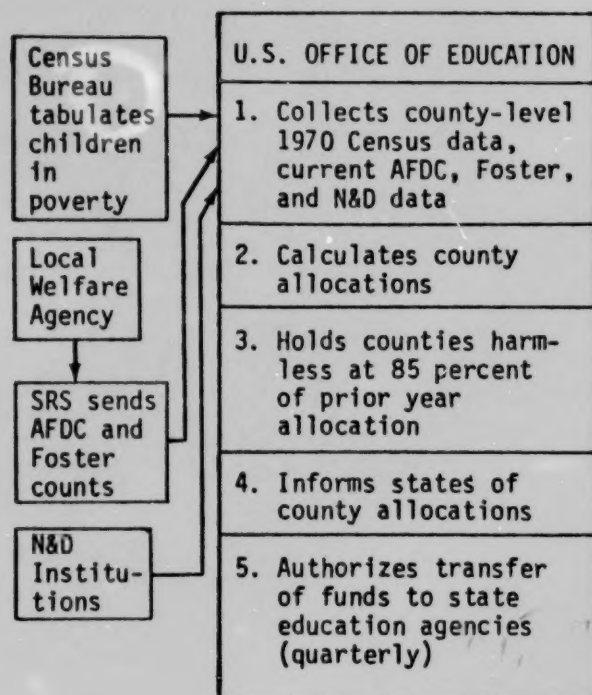
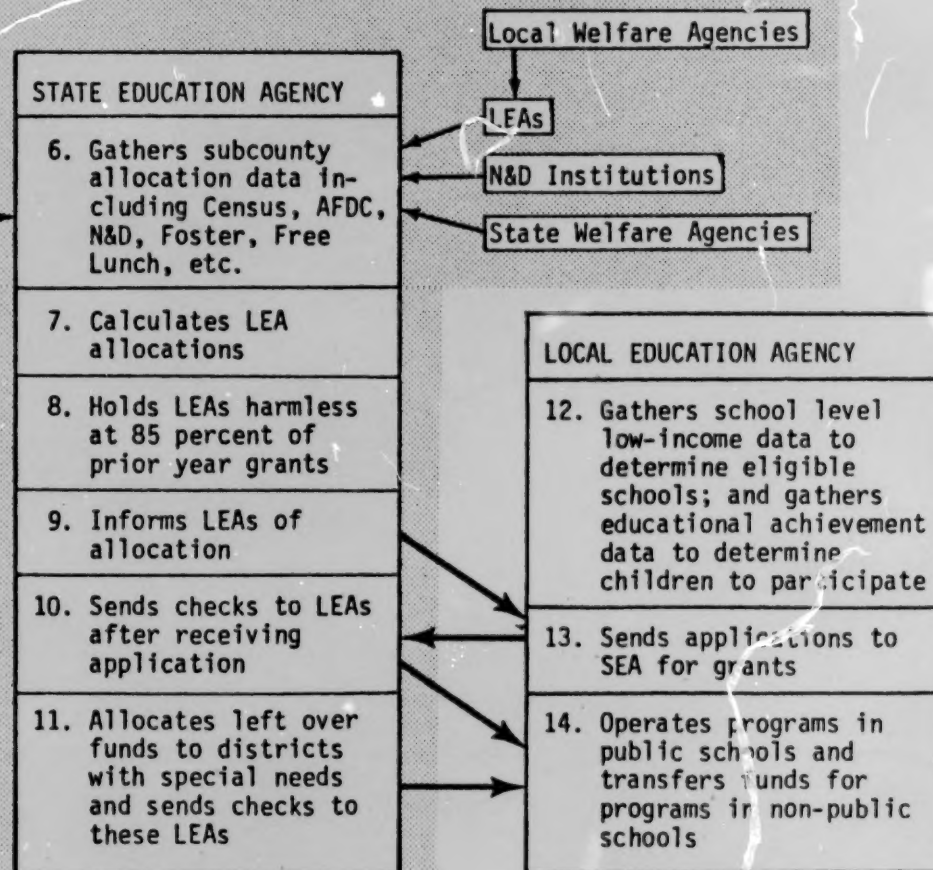


Figure 1.1
Components of Funds Allocation Under Title I of the
Elementary and Secondary Education Act

Subcounty Allocation



Thus, it was left to the Commissioner of Education to develop "basic criteria" and publish them in the Federal Register.

To set the stage for understanding the impact of those regulations, the following section describes the formula selected by Congress for use where appropriate data are available.

B. The Statutory formula emphasizes 1970 Census data.

The Education Amendments of 1974 established a formula for allocations to local education agencies (LEAs) under Title I. In fact, because of inadequate data, this formula is used to allocate directly to LEAs only in the four states in which LEA and county boundaries coincide. For all remaining states, the formula is used to allocate grants to counties. The formula is based on four factors:

1. The state average per pupil expenditure (SAPPE);
2. the number of formula-eligible children (defined on the following page);
3. the total amount appropriated for grants to local education agencies by Congress, and
4. the prior year's allocation to each LEA.

These factors are combined to calculate allocations, as follows.

1. A preliminary entitlement calculated as 40 percent of SAPPE times the number of formula-eligible children (except that the SAPPE is limited to no less than 80 percent nor more than 120 percent of the national average per pupil expenditures); then,
2. All entitlements are reduced by an equal proportion until the total of all entitlements is equal to the total amount appropriated; except that,
3. If any entitlement is less than 85 percent of the prior year's allocation, that entitlement is increased to a "floor" of 85 percent of the prior year's grant, and all other entitlements are proportionately reduced, making necessary adjustments to ensure that no LEA receives less than 85 percent of its prior year's allocation.

The term formula-eligible children, as defined in Title I, includes:

1. children 5-17, inclusive, from families below the poverty level "on the basis of the most recent satisfactory data available from the Department of Commerce for local education agencies (or, if such data are not available for such agencies, for counties); and in determining the families which are below the poverty level, the Commissioner shall utilize the criteria of poverty used by the Bureau of the Census in compiling the 1970 decennial Census"; plus,
2. two-thirds of the number of children 5-17 inclusive, "from families receiving an annual income in excess of the current criteria of poverty, from payments under the program of Aid to Families with Dependent Children (AFDC)..." (Current poverty is defined as the 1970 Census poverty definition for a non farm family of four⁴ updated on the basis of the Consumer Price Index); plus,
3. children 5-17, inclusive, "living in institutions for neglected or delinquent children (other than such institutions operated by the United States)," and other than state operated or supported institutions; plus,
4. children 5-17, inclusive, being supported in Foster homes with public funds.

To summarize, the statutory formula may be considered to involve a per child dollar amount multiplied by the number of children 5-17 in families in poverty according to the 1970 Census plus two-thirds of those in families receiving AFDC payments in excess of the current poverty level plus those in institutions for neglected and delinquent children plus those in foster homes.

⁴ Because AFDC payments are tied to numbers of children in the families, it is possible for small families to receive payments above the poverty level for a family of their size but not above the poverty level for a family of four. Hence, children in these small families may not be counted in the Title I formula.

As shown in Table 1.1 below, Census children in poverty constitute more than 90 percent of all formula-eligible children.

Table 1.1

Number of Eligible Children Under Title I of
the Elementary and Secondary Education Act as Amended,
FY 1977⁵

	<u>Number</u>	<u>Percent</u>
Children in poverty (1970 Census)	8,313,764	90.6%
Children in AFDC families above poverty (weighted by two-thirds)	589,156	6.4
Children in institutions for neglected, delinquent, and correctional	71,531	.8
Children in foster homes	<u>202,784</u>	<u>2.2</u>
	9,177,235	100.0%

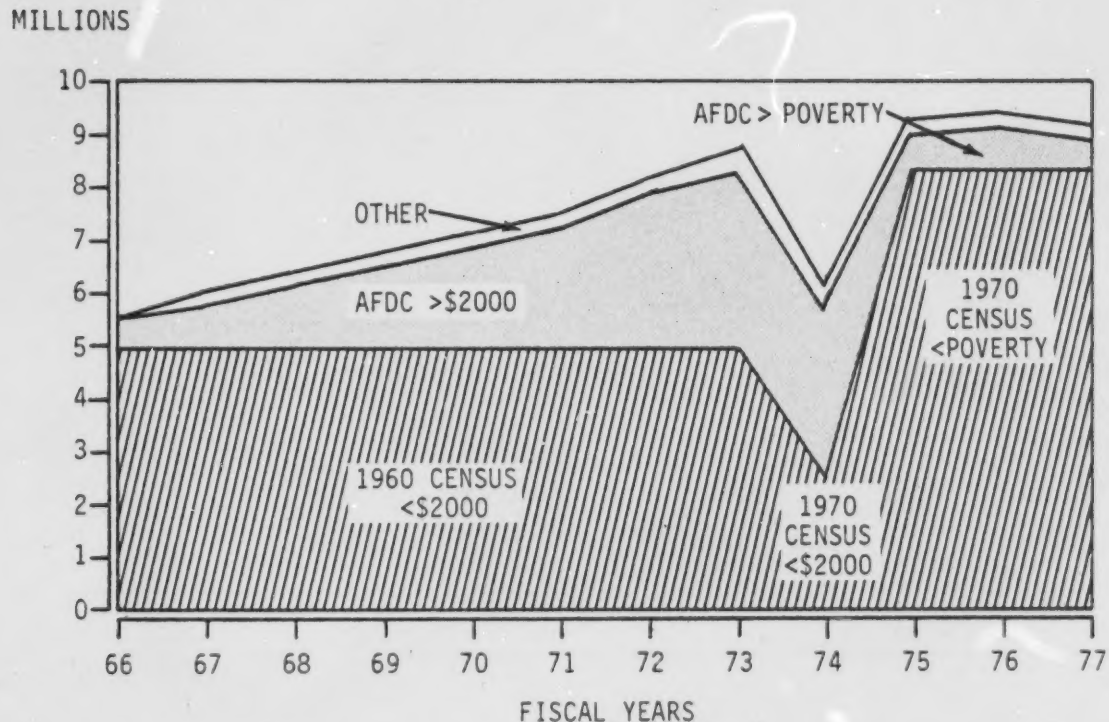
⁵ Includes Puerto Rico, but not outlying areas
Source: Unpublished data, U.S. Office of Education,
November, 1976.

The income cutoff for the AFDC portion of the formula rises each year with the Consumer Price Index (CPI) and Census data will remain constant through 1982. Therefore, there is a continuing downward pressure on the role of AFDC in the formula. The pressure can be countered only if payment levels are increased at the rate that the CPI is increasing. Between FY 1975 and FY 1977, the number of AFDC children counted for Title I allocations has dropped by nearly 15 percent. Figure 1.2, on the following page, shows the decreasing importance of AFDC data in the statutory formula.

Thus, the statutory formula itself was heavily weighted toward the use of static Census data, but Congressional intent for subcounty allocation was clouded. Earlier Congressional Conference Reports had intimated that any available poverty data source was appropriate for subcounty

Figure 1.2 below, shows the decreasing importance of AFDC data in the statutory formula.

Figure 1.2
Number of Eligible Children Under Title I of the
Elementary and Secondary Education Act,
Fiscal Year 1966 Through Fiscal Year 1977*



Source: Unpublished data, U.S. Office of Education, 1976.

* The definition of eligible children changed twice between FY 1966 and FY 1977. From FY 1966 to FY 1973, allocations were based on 1960 Census data below \$2000 plus children in AFDC families receiving payments above \$2000. For FY 1974, the Census portion of the formula changed to 1970 data from 1960 data. In FY 1975, the present statutory formula was instituted using 1970 Census data below the Orshansky poverty line plus two-thirds of children in families receiving AFDC payments above the Orshansky poverty line. Neglected and Delinquent and Foster children (defined as "other" in the figure) have been included throughout the period.

allocation. However, the Conference Report on the Education Amendments of 1974 made no reference to data sources other than these used in the statutory formula and went on to chide the Office of Education for not having school district level data for allocations. Congress was concerned that allocations made only to the county level might be divided within counties in an inequitable manner.

C. USOE regulations emphasize currency.

The U.S. Office of Education has traditionally emphasized currency in their regulations. Section 116.4 of Title 45 of the Code of Federal Regulations, which was in place prior to, during and after the passage of the Education Amendments of 1974, stated clearly that subcounty allocation was to be made

"on the basis of those available data which (the state education agency) deems best to reflect the current distribution in the county of children aged 5-17, inclusive, from low income families, including families receiving payments (from AFDC) without regard to the amount of such payments, and children in foster homes"⁶

The regulation went on to require the sole use of counts of all AFDC children if a state education agency "deems that such data reflects the current distribution." If not, the regulation allowed AFDC data to be combined "with other data on such a weighted basis as (it) deems appropriate and best to reflect the current distribution." Finally, the regulation also allowed a state to "use such other methods as it deems appropriate for that purpose."

As later sections of the report will show, most states have not emphasized AFDC counts in their formulas, but have used a subcounty allocation formula that was similar to the statutory formula in emphasizing 1970 Census data.

⁶ This paragraph excludes N&D children because they were treated separately. Allocations for children eligible because of their residence in institutions for neglected and delinquent children were to be made prior to allocation of the remainder of the grant.

Revised regulations, to comply with the 1974 amendments, were published in the Federal Register on March 11, 1975, and republished in final form on September 28, 1976.

Subcounty allocation language was thoroughly revised, with a greater emphasis on 1970 Census data. However, both 1970 Census data and AFDC data were generally sanctioned without regard to a specific poverty level. Although the use of additional data sources would require advance approval by the Commissioner of USOE, the flexible Census and AFDC language continued to allow the states a wide latitude in their selection of subcounty allocators. Section 116a.5(c) of the revised regulations requires that, after allocation for neglected and delinquent children:

"The remainder of the county aggregate grant shall be allocated by the state education agency among the several local education agencies whose school districts lie (in whole or in part) within the county on the basis of the current distribution in the county of children aged 5 to 17, inclusive, from low income families (using a poverty level selected by the state education agency consistent with the purposes of Title I) as determined on the basis of the available data which such state education agency deems best to reflect the current distribution in the county of children aged 5 to 17, inclusive, from low income families. The following are considered acceptable types of data: (1) 1970 Census data on the number of children from low income families, and (2) data on children in families receiving payments under the program of Aid to Families with Dependent Children under a state plan approved under Title IV of the Social Security Act and foster children. Other types of data must be approved by the Commissioner before use by the state education agency."

The earlier version of this regulation published in March 1975, required the use of 1970 Census data. After receiving public comment suggesting that 1970 Census data did not reflect the most current distribution of children from low income families, USOE revised the regulation to lift the requirement for use of 1970 Census data.

D. Forty-six states make subcounty allocations.

Subcounty allocation is unnecessary where districts and counties are coterminous (have precisely the same boundaries). Only four states (Florida, Maryland, Nevada, and West Virginia) and the District of Columbia meet this criterion.

In the remaining forty-six states⁷, there is a wide variation in the need for subcounty allocation. In Louisiana, only two counties and four districts are involved, while in each of four states - Illinois, California, New York and Texas - more than 700 districts are involved in subcounty allocation.

Table 1.2, on the following page, shows the extent of subcounty allocation in each state. The table demonstrates the extensiveness of the subcounty allocation problem; in 34 states more than 90 percent of all districts are involved in subcounty allocation.

Regulations allow school districts with fewer than ten Title I eligible children to be disregarded in the allocation of county grants. Approximately 2,000⁸ districts fell into this category in FY 1974. A few other districts simply refuse Title I funds, and these funds are reallocated as described in subsection F. Therefore, the total number of districts in a state may be larger than the number participating in Title I.

E. Geographic and administrative overlaps add complexity to the subcounty allocation process.

School districts do not always fit neatly into counties. Some school districts serve children in two or even more counties. Several even cross state boundaries. In these cases, the separate sections of a single school district are entitled to a portion of each of the counties' allocations. This problem is widespread. As Table 1.3 shows, in several states (Iowa, Kansas, Minnesota, and South Dakota) more than half of all districts are multi-county districts.

⁷ Although Hawaii has only one "official" school district, in practice, funds are suballocated, on the basis of a formula, to sub-districts on each island and to multiple sub-districts on Oahu.

⁸ Estimate based on unpublished figures submitted to USOE in 1973, and not updated.

Table 1.2
School Districts Involved in Subcounty Allocation, by State¹

State	Number of Districts	Number of Districts Not Coterminous With Counties	Percent of Districts Not Coterminous With Counties
Alabama	118	85	72.0
Alaska	28	21	75.0
Arizona	173	173	100.0
Arkansas	345	345	100.0
California	772	767	99.4
Colorado	149	139	93.3
Connecticut	164	164	100.0
Delaware	23	23	100.0
Florida	67	0	0.0
Georgia	192	63	32.8
Hawaii	7	4	57.1
Idaho	109	101	92.7
Illinois	1,233	1,232	99.9
Indiana	313	299	95.5
Iowa	460	460	100.0
Kansas	311	310	99.7
Kentucky	191	122	63.9
Louisiana	66	4	6.1
Maine	136	136	100.0
Maryland	24	0	0.0
Massachusetts	317	316	99.7
Michigan	561	561	100.0
Minnesota	478	476	99.6
Mississippi	130	103	79.3
Missouri	495	493	99.6
Montana	173	163	94.2
Nebraska	335	329	98.2
Nevada	17	0	0.0
New Hampshire	101	101	100.0
New Jersey	519	519	100.0
New Mexico	81	75	92.6
New York	740	740	100.0
North Carolina	152	89	58.6
North Dakota	176	175	98.9
Ohio	629	629	100.0
Oklahoma	415	415	100.0
Oregon	207	201	97.1
Pennsylvania	534	531	99.4
Rhode Island	42	42	100.0
South Carolina	93	69	74.2
South Dakota	217	214	98.6
Tennessee	147	88	59.9
Texas	956	931	97.4
Utah	40	18	45.0
Vermont	120	119	99.2
Virginia	138	10	7.2
Washington	254	254	100.0
West Virginia	55	0	0.0
Wisconsin	420	419	99.8
Wyoming	64	60	93.7

¹ Does not include all districts. In most states, school districts with fewer than 300 students are not included.

Source: USOE Special Tabulations by School District, 1970.

Table 1.3
School Districts in More Than One County, by State¹

State	Number of Districts	Number of Districts in More Than One County	Percent of Districts in More Than One County
Alabama	118	0	0.0
Alaska	28	1	3.6
Arizona	173	0	0.0
Arkansas	345	91	26.4
California	772	74	9.6
Colorado	149	10	6.8
Connecticut	164	2	1.2
Delaware	23	3	13.0
Florida	67	0	0.0
Georgia	192	0	0.0
Hawaii	7	0	0.0
Idaho	109	39	35.8
Illinois	1,233	387	31.4
Indiana	313	37	11.8
Iowa	460	285	62.0
Kansas	311	206	66.2
Kentucky	191	2	1.0
Louisiana	66	0	0.0
Maine	136	25	18.4
Maryland	24	0	0.0
Massachusetts	317	13	4.1
Michigan	561	220	39.2
Minnesota	478	245	51.3
Mississippi	130	9	7.3
Missouri	495	202	40.8
Montana	173	4	2.3
Nebraska	335	97	29.0
Nevada	17	0	0.0
New Hampshire	101	7	6.9
New Jersey	519	104	20.0
New Mexico	81	14	17.3
New York	740	66	8.9
North Carolina	132	106	80.3
North Dakota	176	66	37.5
Ohio	629	231	36.7
Oklahoma	415	150	36.1
Oregon	207	31	15.0
Pennsylvania	534	77	14.4
Rhode Island	42	1	2.4
South Carolina	93	6	6.5
South Dakota	217	122	56.2
Tennessee	147	103	70.1
Texas	956	259	27.1
Utah	40	0	0.0
Vermont	120	4	3.3
Virginia	138	0	0.0
Washington	254	41	16.1
West Virginia	55	0	0.0
Wisconsin	420	186	44.3
Wyoming	64	20	31.3

¹ Does not include all districts. In most states, school districts with fewer than 300 students are not included.

Source: USOE Special Tabulations by School District, 1970.

Title I and the associated Federal Regulations make allowances for these situations and require that a local education agency receive an allocation which is the sum of its allocations from each county. Usually, this situation does not present problems because each segment of the district can be treated separately and data are generally available for these separate segments to the same degree that they are available for any separate school district.

More difficult situations arise when two or more LEAs serve children from the same geographic area or when an LEA serves children living in another LEA's district. Most prevalent among the former situations are the "non-unified" local education agencies which limit the children they serve to a specific age group: usually elementary or secondary. Table 1.4, on the following page, lists the states ranked in order of the percent of districts which are non-unified. As the table shows, twenty-six states have a substantial number (more than 10 percent) of non-unified school districts.

A similar situation arises whenever an LEA provides services to children living in a district served by another LEA. Uniform procedures are not mandated for determining allocations in this situation. The regulations simply state that "the state education agency may allocate the amount of the maximum grant among such local education agencies in such manner as it determines will best carry out the purposes for which the grants under Title I are made available."⁹ In light of this lack of direction and the dependence of the allocation formula on out-of-date Census information, states are faced with the difficult job of arbitrating competing claims from the districts.

F. Hold harmless adjustments and reallocation of unused funds are the final step in determining district allocations.

Once county allocations are tentatively divided among the LEAs, a "hold harmless" provision in the law assures that each LEA will receive at least 85 percent of its prior year's grant. The U.S. Office of Education implements this concept by ensuring that county allocations are maintained at 85 percent of their prior year's levels. The states are left with the responsibility of implementing the "hold harmless" provision for school districts.

⁹ Sec. 116a.7 of Title 45 of the Code of Federal Regulations.

Table 1.4
Unified and Non-Unified School Districts, by State,
Fall 1973

State	Number of Districts			Percent of Districts Non-Unified
	Total	Unified ¹	Non-Unified	
Montana	550	0	550	100%
Arizona	276	5	270	98
Vermont	245	38	207	84
Nebraska	1,281	298	983	77
California	1,045	258	787	75
New Hampshire	156	47	109	70
New Jersey	579	188	391	67
Maine	230	79	151	66
Illinois	1,057	436	621	59
Oregon	338	154	184	54
Massachusetts	356	180	176	49
Connecticut	165	108	57	34
Oklahoma	637	453	184	29
Rhode Island	40	29	11	27
Wyoming	60	44	16	27
Alaska	32	24	8	25
North Dakota	336	252	84	25
Washington	314	250	64	20
Missouri	575	460	115	20
South Dakota	220	179	41	19
Wisconsin	434	360	74	17
Tennessee	146	126	20	14
Texas	1,120	974	146	13
Indiana	304	269	35	11
Michigan	593	525	68	11
New York	734	656	78	11
Idaho	115	105	10	9
Delaware	24	22	2	8
Nevada	17	16	1	6
Arkansas	383	364	19	5
Alabama	126	121	5	4
Kentucky	188	183	5	3
Colorado	181	178	3	2
Georgia	188	186	2	1
New Mexico	88	87	1	1
Virginia	134	133	1	0.74
Ohio	621	617	4	0.64
Minnesota	438	437	1	0.23
District of Columbia	1	1	0	0
Florida	67	67	0	0
Hawaii	1	1	0	0
Iowa	451	451	0	0
Kansas	309	309	0	0
Louisiana	66	66	0	0
Maryland	24	24	0	0
Mississippi	150	150	0	0
North Carolina	150	150	0	0
Pennsylvania	504	504	0	0
South Carolina	93	93	0	0
Utah	40	40	0	0
West Virginia	55	55	0	0
Total	16,338	10,753	5,585	34%

¹ Districts serving grades K-12 or 1-12.

Source: Education Directory, 1973-74 Public School Systems, NCES.

Congress recognized the potential for inequity in a two-step "hold harmless" process in its Conference Report on the Education Amendment of 1974:

"The Conference Committee does not wish these statements to be construed as condoning the present HEW practice of using county level data as a substitute for local education agency level data in calculating hold harmless levels."¹⁰

The potential for major inequities arose during the transition to use of 1970 Census data and the revised formula,¹¹ in fiscal years 1974 and 1975. Some districts with large numbers of AFDC children lost heavily while other districts in the same county may have had increases in Title I eligible children. If the losses in the first district were large enough to cause the entire county to be held harmless, then the districts with an increase in eligible children would have been unfairly limited to 85 percent of their prior year's grants.¹² The same inequity exists, although

¹⁰ USOE's capacity to implement direct allocation to school districts is the subject of Volume III of this report.

¹¹ The extent of such inequity and the types of districts involved are analyzed in Volume II of this report.

¹² The following example may help to clarify the problem:

Assume two districts share a county and their number of Title I eligibles are shown in the table below. (To simplify the example, one must also assume that between FY 1974 and FY 1975, the total number of Title I eligibles nationwide did not change and the total allocation to LEAs did not change.)

Numbers of Title I Eligibles

	FY '74	FY '75
District 1	400	250
District 2	100	150
County Total	500	400

District 1 lost so many eligibles (150 children) that the entire county would have been reduced to 80 percent of its prior level despite the increase in District 2. However, the county would be held harmless at 85 percent (425 eligibles) under USOE regulations. Since District 1 would have to be held harmless at 340 (85 percent of 400), only 85 children (425 - 340) would be left for District 2. This would cost District 2 nearly half the grant it would have received had it not been located in the same county as the big loser.

to a lesser degree, in any county in which one or more school districts are held harmless and others are not.

For Fiscal Year 1976, 110 counties (4 percent of all counties) in the U.S. and at least 8 percent of all school districts were held harmless. For FY 77, 39 counties (1.2 percent of all counties) in the U.S. were held harmless.

Subcounty allocation is not the final step in determining a district's allocation. In some states it is necessary to reallocate funds which were not requested by school districts or were not awarded by the state education agency. State Title I coordinators cite a number of reasons for districts not requesting funds they have been allocated. Those districts may not want the paperwork, may have found Federal aid generally unacceptable or may have been uncertain of their allocation for so long a period that they did not spend all their funds. In any case, a small amount of money is involved (less than \$20 million in FY 1976) and, as is described more fully in the next chapter, most states use the funds to raise district allocations as close as possible to their prior year's level in order to maintain orderly programs.

CHAPTER 2. HOW DO STATES ALLOCATE WITHIN COUNTIES?

This chapter explains the formulas and procedures chosen by the states for subcounty allocation and explores some of the origins of those selections.

The data pertaining to state practices of subcounty allocation in this and subsequent chapters are derived from State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., 1977. The publication contains state-by-state summaries of the formula and data used, number of districts and counties involved, hold harmless and reallocation procedures, administrative organization, history, and costs incurred. Applied Urbanetics developed the publication on the basis of discussions with Title I coordinators in each of the fifty states.

In October 1976, a group of Title I coordinators described their state practices during a roundtable discussion in Washington, D.C., sponsored by Applied Urbanetics. During the discussion, the Title I coordinators offered specific examples of how their subcounty allocation processes were implemented, the problems they had and their assessment of potential changes in the regulations. Some additional data were made available from the Program Services Branch, Division of Education of the Disadvantaged, U.S. Office of Education. Verification of the information was obtained from the Title I offices in each state by allowing them to review and revise their profiles. Several states made revisions which are reflected in this final report.

Section A presents a brief description of each formula that differs from the statutory formula (1970 Census plus two-thirds AFDC over poverty). Section B is a discussion of the various circumstances that have led states to select one formula over another. The remaining sections, C through H, deal with specific classes of allocation factors such as foster children, fund reallocation, and the "hold harmless" issues.

A. State formulas emphasize consistency, currency, or conciliation.

In the previous chapter, five competing criteria were identified that seem to influence the choice of a subcounty allocation formula.

- a. Consistency with the statutory formula;
- b. Currency of the data;
- c. Availability of the data;
- d. Capacity of the data to maintain grant levels,
and
- e. Legitimacy of the data.

Nearly every state uses a formula that is either consistent with the statutory formula or that depends on more current data. Formulas used by the states for Fiscal Year 1977 are detailed both in Table 2.1, on the following page, and in the listing which follows the summary below.

More than half of the states involved in subcounty allocation (24 of 46 states) choose to replicate the statutory formula. Eleven states use formulas similar to the statutory formula, in that they use 1970 Census data alone or in combination with some amount of AFDC. These formulas are similar to the statutory formula because of their heavy reliance on 1970 Census data. It should be noted that the Census data used by states for subcounty allocation is not available from standard Census Bureau tabulations. As Chapter 3 will explain, states use estimated Census data. The estimates are generally based on reaggregation of data available for geography other than school districts, although in some states, the county Census data are allocated to school districts on the basis of average daily attendance.

Of the remaining 11 states, the majority opt to emphasize currency through the use of total counts of AFDC children exclusively or in combination with income tax data, or Free Lunch statistics. Only in Alabama, Delaware, Louisiana, and North Carolina are subcounty allocation formulas neither consistent with the statutory formula nor based on current statewide data.

The 22 states that do not replicate the statutory formula construct formulas based on the following sources and processes:

Similar to the Statutory Formula

1. 1970 Census data.¹³ Indiana, Virginia.

¹³ Official U.S. government standards for poverty income levels from the 1970 Census are known as Orshansky poverty. Where no dollar figure is given for poverty level, the Orshansky figure holds. For a detailed explanation of Orshansky poverty, see the footnote on p. 43.

Table 2.1 Formulas Used for Subcounty Allocation, by State,¹ Fiscal Year 1977

Same as Statutory Formula (1970 Census Orshansky ² + 2/3 AFDC Above Poverty ³)	Similar to Statutory Formula	Current Total AFDC	Other
Alaska	Arizona - 1970 Census below \$3,000		Alabama - Agreement based on available data.
	Colorado - 1970 Census Orshansky ⁴ + a weighting of AFDC ⁵	California	Arkansas - Free lunch and all AFDC.
	Connecticut - 1970 Census Orshansky + all AFDC above poverty		Delaware - 1971 AFDC above \$2,000.
	Georgia - 1970 Census Orshansky + 1/3 AFDC		
Idaho ⁴	Hawaii - 1970 Census below \$3,000 + 2/3 AFDC		
Illinois			
	Indiana - 1970 Census Orshansky only		Iowa - State Income Tax + all AFDC
Kansas			Louisiana - Fixed Percentage.
Kentucky			
Maine		Massachusetts	
Michigan			
Minnesota			
Mississippi - no AFDC above poverty		Missouri	
	Nebraska - 1970 Census Orshansky ⁴ + all AFDC	Montana	
New Hampshire			
New Jersey			
New Mexico - no AFDC above poverty			
New York			North Carolina - Agreement based on available data.
North Dakota ⁴			
Ohio			
Oklahoma			
Oregon			
Pennsylvania			
Rhode Island			
South Carolina - no AFDC above poverty			
South Dakota			
Tennessee - no AFDC above poverty			
Texas - no AFDC above poverty	Utah - 1970 Census Orshansky + all AFDC		
	Vermont - 1970 Census Orshansky + all AFDC above poverty		
	Virginia - 1970 Census Orshansky only		
	Washington - 1970 Census Orshansky only		
Wisconsin		Wyoming	
24	11	5	6

¹ Does not include the District of Columbia, Florida, Maryland, Nevada or West Virginia in which counties and school districts are coterminous.

² Children 5-17 in families with 1969 income below the poverty line.

³ Children 5-17 in families receiving aid to families with dependent children in excess of the current poverty level for a non-farm family of four.

⁴ These states allocate part or all of their Census counts in proportion to average daily attendance.

⁵ See text for explanation of weighting.

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

Similar to the Statutory Formula (continued)

2. 1970 Census data, \$3,000 poverty level. Arizona.
3. 1970 Census data with annual updates based on state surveys of shifts in demography, geography and income. Washington.
4. 1970 Census data plus total AFDC (impact of AFDC reduced to a level consistent with AFDC above poverty). Colorado.
5. 1970 Census data plus 100 percent AFDC above poverty. Vermont, Connecticut.
6. 1970 Census data plus one-third of all AFDC. Georgia.
7. 1970 Census data below \$3,000 plus two-thirds of all AFDC. Hawaii.
8. 1970 Census data plus total AFDC. Nebraska, Utah.

AFDC Only

9. Current counts of all AFDC children. California, Massachusetts, Missouri, Montana, Wyoming.

Other Formulas

10. Current counts of AFDC children plus Free Lunch data. Arkansas.
11. Annual state income tax returns below poverty level plus total AFDC. Iowa.
12. 1971 counts of children of AFDC families receiving more than \$2,000. Delaware.

In Alabama, Louisiana and North Carolina, a statewide formula is not in use. Instead, within each county, the superintendents agree on the choice of data sources such as Free Lunch, local school surveys, 1970 Census, 1960 Census and AFDC data.

Specifically, in Alabama, superintendents may use ADA, Census data and Free Lunch counts. In some counties, gas and power consumption information is also utilized. Similarly, in North Carolina, superintendents may use Census data, Free Lunch counts, and local knowledge of poverty concentrations. In Louisiana, a fixed percentage allocation was determined in the late 1960's, most probably on the basis of 1960 Census data, and is still in use.

B. The dominant pattern in the selection of formulas is the reliance on Census data by three-fourths of the states.

Half the states use the statutory formula and another quarter use formulas which rely substantially on the 1970 Census data. Although few other patterns are evident; one general statement that can be supported is that states with high percentages of Title I eligibles on AFDC were much more likely to use the statutory formula than were states with low percentages. Seven of the ten states with the highest percentages of AFDC Title I eligibles used the statutory formula. Of the eleven states with no AFDC Title I eligibles, only four used the statutory formula.¹⁴ One possible explanation for this pattern is that states with high percentages of Title I eligibles on AFDC felt they had sufficient updating information, while those with no AFDC Title I eligibles required other data in order to reflect current poverty distributions.

A second pattern can be seen in that no states, except Arkansas, use Free Lunch data. This reflects doubt on the part of State Title I coordinators in the reliability of Free Lunch data as a poverty indicator.

It is useful to explore the reasons that states had or may have had for selecting their methods.¹⁵

California uses AFDC data exclusively. The impact of that choice is to focus money on the large cities, especially Los Angeles. Educational administrators familiar with the history of subcounty allocation in California believe that

¹⁴ AFDC percentages are listed in Table 3.6 on page 58.

¹⁵ The states have little or no documentation on their selection process and many current state Title I coordinators do not know the origin of their method.

AFDC data were selected specifically to aid Los Angeles because officials of that state felt Title I should be concentrated in urban poverty areas.

Massachusetts recently shifted to exclusive use of AFDC data because the SEA staff felt that AFDC better reflected current distributions of poverty in the state. In addition, the state had lost money when the statutory formula shifted (in FY 75) to 1970 Census plus two-thirds of AFDC above poverty. The staff did not want to embrace a formula for subcounty allocation that had damaged the state in the national distribution.

New Jersey uses the statutory formula. A state official reported, however, that the state considered replacing that approach with one stressing total AFDC, but USOE officials recommended against such action.

Montana, Missouri and Arkansas use AFDC and other data in lieu of Census data. One explanation is that large percentages of the districts in these states have enrollments of less than 300. USOE did not develop school district level Census data for districts with enrollments below 300. (Census data sources are discussed in detail on page 41. Faced with the task of estimating Census by school district for large numbers of districts, these states chose instead to gather AFDC data.

These examples indicate that some of the formula selections reflect unique state demography or unique state priorities. Volume II of this report explores the implications of variations in formulas.

C. Children in institutions for the Neglected and Delinquent are included in subcounty allocation.

The previous sections excluded discussion of neglected and delinquent (N&D) and foster children in order to maintain focus on the major components of the formulas. As Chapter 1 showed, N&D children account for less than one percent of all Title I eligibles and foster children are approximately two percent.

Sections C and D complete the description of the state formulas by covering state practices regarding children in institutions for the neglected and delinquent (N&D) and children in foster homes.

Neglected and delinquent children have a unique role in subcounty allocation¹⁶. The regulations require that funds for N&D institutions be allocated before the distribution of the remaining funds is determined. This provision helps to ensure that children in N&D institutions receive services based on a per pupil expenditure identical to that used for calculating allocations to the counties.

A more comprehensive analysis of N&D funding practices would require extensive data collection from individual institutions.

D. A majority of states use counts of foster children in their subcounty allocation formulas.

Table 1.1 in Chapter 1 showed that foster children currently account for more than two percent of all Title I eligible children. Their number is now equal to one-third of the number of AFDC children included in the statutory formula.

As shown in Table 2.2 on the following page, twenty-nine of the forty-six states performing subcounty allocation include school district counts of foster children in their formulas. Seven other states claim to include foster data but actually estimate the numbers of foster children on the basis of other data, usually 1970 Census. The other ten states do not use foster data.

Several states that have excluded foster data did so because they found that the counts of Foster children and N&D children, provided by welfare agencies, included some children who were on both lists. Such double counting could be caused by a failure to update records of children who moved from N&D institutions to foster homes, or vice versa.

As in the case of N&D children, a more detailed explanation of the extent of the foster children data problem would require extensive local data collection.

E. Approximately one percent of Title I allocations are reallocated.

In Fiscal Year 1976, somewhat less than \$20 million was reallocated by state Title I coordinators. This sum became available when districts either refused Federal

¹⁶ This discussion is concerned only with N&D children living in institutions which depend on the local education agency for educational services.

Table 2.2
Inclusion of Foster Children in Subcounty Allocation
Formulas, by State, Fiscal Year 1977

States Which Include Foster Children	States Which Do Not Include Foster Children
	Alabama
Alaska	
Arizona	
Arkansas	
	California
	Colorado
Connecticut	
Delaware	
	Georgia*
	Hawaii
Idaho	
Illinois	
	Indiana*
Iowa	
Kansas	
	Kentucky*
	Louisiana
Maine	
	Massachusetts
	Michigan*
Minnesota	
Mississippi	
Missouri	
Montana	
	Nebraska
	New Jersey
New Hampshire	
New Mexico	
New York	
North Carolina	
North Dakota	
Ohio	
Oklahoma	
	Oregon*
Pennsylvania	
Rhode Island	
	South Carolina*
South Dakota	
Tennessee	
Texas	
Utah	
Vermont	
	Virginia
	Washington
	Wisconsin*
Wyoming	
29	17

*States claim foster children are included in the formula, but actually apportion foster children on the basis of other data.

Source: State Profiles of Subcounty Allocation Procedures,
Applied Urbanetics, Inc., March, 1977.

funds or were unable to use the funds and were not permitted to carry the funds over into succeeding years¹⁷.

As shown in Table 2.3, most of the states reallocated a very small portion of their funds. Only Missouri and Wyoming reallocated more than ten percent.

Missouri, Pennsylvania and New Jersey account for \$8 million of reallocated funds, each with \$1,000,000 or more. Missouri alone reallocated \$6,000,000 in FY 1976, more than 20 percent of the state allocation. Many Missouri districts were uncertain of their allocations until late in the school year and were unable to use their full allocations. This uncertainty was compounded by two other factors: (1) large increase in funds available to the state and (2) an SEA imposed limitation on programs which allowed funding for reading programs only. This combination of factors resulted in a large reallocation that is not expected to reoccur in the future.

A majority of the states reallocated the available funds to districts that had suffered losses in their own allocations. Other states reallocated funds on the basis of undefined "need" which may have included loss of funds but could also have included other factors, such as a desire to extend a successful program to more children or to extend a program through the summer months.

Only three states reallocated on the basis of numbers of target children. Alabama gave the \$10,000 allocation refused by one district to the other districts in the same county on a prorated basis. Indiana and Ohio reallocated to districts with large numbers of target children (the five largest districts in Indiana and those with more than 1,000 Title I eligibles in Ohio). In Indiana, this method was selected on the advice of USOE personnel.

F. Substate allocation has replaced subcounty allocation in four states.

In many states, Title I coordinators have expressed a desire to ignore county lines in making school district allocations. The rationale most frequently advanced is that a large number of school districts cross county boundaries and that counting formula eligible children by school district without

¹⁷ Title I funds may be carried over for one year. In most states, funds are comingled from one year to the next and the carryover becomes indistinguishable from current year funds. The result is a continuing carryover from year to year in many districts.

Table 2.3
Extent and Rationale of Reallocation of Title I Funds,
By State, Fiscal Year 1976

State	Amount Reallocated (In Thousands)	Total Allocation to LEAs (In Millions)	Percent Reallocated	Rationale
Alabama	\$ 10	\$ 41.8	0.02%	To other districts on basis of initial allocation.
Alaska	0	3	0	Information not available.
Arizona	650	13.5	4.8	To districts that suffered most from inadequacies in the representation of poverty.
Arkansas	50	23.8	0.2	Need and demonstrated loss of funds.
California	0	130	0	Loss of funds; Need.
Colorado	20	13.7	0.15	Loss of funds.
Connecticut	500	16	3.1	Need - to districts that make written requests.
Delaware	0	4	0	No reallocation.
Georgia	0	45	0	Committee review of written requests.
Hawaii	0	5	0	No reallocation.
Idaho	12	3.8	0.3	Increased student enrollment.
Illinois	0	82.5	0	No reallocation.
Indiana	112	21.5	0.5	Distributed to five largest programs in the state - according to their formula count.
Iowa	150	15	1.0	Plans to improve current programs.
Kansas	500	12	4.2	Loss of funds.
Kentucky	0	32.4	0	No reallocation.
Louisiana	0	47.7	0	No reallocation.
Maine	13.7	.6	0.2	To other districts in county in financial need.
Massachusetts	174	30	1.2	Loss of funds.
Michigan	263	70.8	0.4	Districts at hold harmless level; other districts that have lost funds.
Minnesota	700	24.6	2.8	To extend Title I program to full year and to extend services to eligible children not served.
Mississippi	0	40	0	No reallocation.
Missouri	6,000	29	21	Loss of funds.
Montana	226	4.8	4.7	Need (in accordance with federal regulations.)
Nebraska	250	8.4	3.0	Loss of funds.
New Jersey	1,000	49	2.0	Need - loss of funds.
New Hampshire	0	2.8	0	Loss of funds; potential benefit.
New Mexico	19	12.4	0.2	Need and innovation.
New York	500	180	0.3	Loss of funds; increase in low income children; economic decline.
North Carolina	0	48.6	0	No reallocation.
North Dakota	80	4.4	1.8	Data inadequately represent low income children; insufficient funds to serve all eligible children.
Ohio	260	50	0.5	Districts with over 1,000 eligible children.
Oklahoma	19.5	19	0.1	Financial hardship; great shifts in low income concentrations since 1970 Census.
Oregon	154	13	1.2	In-service programs; influx of Southeast Asian children.
Pennsylvania	1,000	81.4	1.2	Shift in poverty concentrations; loss of funds.
Rhode Island	Not Available	6.4	-	Information not available.
South Carolina	0	31.7	0	No reallocation.
South Dakota	45	5.5	0.8	Need determined by number of low income children.
Tennessee	25	37.8	0.07	Loss of funds.
Texas	Not Available	97.8	-	Need, determined on an individual basis.
Utah	0	5	0	Need.
Vermont	3	2.9	0.1	Loss of funds.
Virginia	400	37	1.1	Need.
Washington	20	19.3	0.1	Need.
Wisconsin	600	25.9	2.3	Loss of funds; maintain programs at current levels.
Wyoming	300	2	15	Financial hardship.

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

regard to county boundaries would be administratively more convenient.¹⁸ In addition, one State Title I coordinator noted that a district serving students from two counties, in which one district was in a county held harmless and one was not, would be receiving different per pupil amounts. Four states - Iowa, Minnesota, North Dakota and Oregon - have implemented a practice referred to in this report as substate allocation, which does ignore county lines in making school district allocations.

Substate allocation is the practice of pooling the allocations of all the counties in a state and then redistributing the funds to school districts without regard to county allocations. Although Congress intended that USOE should follow such a practice nationwide, data were available only to make allocations to the county level. If the states had used the statutory formula for substate allocation, then the practice would have had the same effect as subcounty allocation. Both the districts and counties would have had the exact numbers of Title I eligibles calculated under the statutory formula.

In two situations, however, substate allocation will lead to allocations that are not in compliance with the regulations. The first situation in which substate and subcounty allocation would have different results arises in those states that use a non-standard formula. Substate allocation then reflects, even at the county level, the distribution of poverty measures other than the 1970 Census and two-thirds of AFDC children above poverty.

Second, under subcounty allocation, if any counties in the state are held harmless, the average allocation per Title I eligible for all districts in those counties would be different from the average for counties in which no districts were held harmless. Substate allocation in that case would maintain only the "hold harmless" districts at their floors but would increase the allocations for any other districts in the same "hold harmless" county to well above the level they would have received under subcounty allocation. It follows that substate allocation is one means of alleviating the unfair treatment of districts that share counties with other districts that are held harmless (described on page 21).

State Title I coordinators believe that with more up-to-date information, substate allocation would be an effective allocation method. However, the allocation procedure required in the law, namely federal allocations to counties and state

¹⁸ It should be noted that, if the state uses the statutory formula, then subcounty allocation data would be available as conveniently for county segments of school districts as for the entire districts.

allocations of portions of two or more county grants to districts which cross county lines, clearly prohibits such a practice.

The four states which employ substate allocation in place of subcounty allocation are listed in Table 2.4, on the following page. As the table makes clear, each of the four states has either a non-standard formula, or a significant portion of districts that were held harmless in FY 1976. Iowa has a non-standard formula and hold harmless districts. Minnesota, North Dakota and Oregon use the statutory formula but all have hold harmless districts. Thus, substate allocation in these states results in district allocations different from those anticipated in the statutes.

Substate allocation is one of the policy options that will be explored in Volume IV of this report because of its capacity to alleviate unfair treatment of districts that share counties with hold harmless districts. In Volume II, we will also analyze available data on the types of districts that would be beneficiaries of such a change and the extent to which they would benefit.

G. States apply hold harmless techniques in subcounty allocation.

In all 46 states that practice subcounty allocation, school districts are assured at least 85 percent of their prior year's grant. Each of the states accomplishes this by the "hold harmless" process described on page 21.

H. States must arbitrate competing claims where multiple school districts serve children from the same area.

In several states, two separate school districts serve children from the same areas. One district may provide elementary school education while a second serves intermediate or high school children. As Table 1.3 (on page 20) showed, in 26 states more than 10 percent of the children live in areas served by separate school districts, i.e., non-unified school districts.

In other cases children may have an option of attending either city or county school systems. The situation may also arise when children attend private schools in an area outside their own public school district.

Each of these situations may require that allocations be split among districts that serve poor children from the same area.

2

Table 2.4
Formulas Used by States Performing Substate Allocation
Fiscal Year 1977

State	Formula	Exhibit
		Approximate Percent of Districts Held Harmless, FY '76
Iowa	State Income Tax poor + all AFDC	14%
Minnesota	Statutory	16
North Dakota	Statutory	26
Oregon	Statutory	15

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

Where the districts serve separate age groups, the split may be made on the basis of the number of grades served by each district. In other cases, the problem is much more difficult because allocations were made predominantly on the basis of 1970 Census data, and current students cannot be equated with those in the Census. These cases require arbitration by state education agencies. These arbitrated allocations are often made on the basis of numbers of AFDC children attending schools in each of the districts, although alternative data sources and simple negotiations are used in some cases.

Summary

This chapter has described the choices made by states to meet the requirements for subcounty allocation. The emphasis of this discussion has been on policy issues such as replication of the statutory formula or currency.

The availability of data is equally important and the emphasis of Chapter 3 will be on the alternative methodologies of data gathering and the choices made by the states.

CHAPTER 3. HOW DO STATES ACQUIRE DATA FOR SUBCOUNTY ALLOCATION?

In the previous chapter, state subcounty allocation formulas were shown to include data from seven sources:

- A. 1970 Census of Population
- B. AFDC
- C. Neglected and Delinquent (N&D) institutions
- D. Foster children
- E. State income tax
- F. Free Lunch
- G. Attendance

The sources used by each state are arrayed in Table 3.1 on the following page. The first four: Census, AFDC, N&D and Foster are the primary data used by the majority of states. This chapter is predominantly concerned with methods of acquiring those data. Alternative data sources are briefly discussed as well.

Analysis of the various techniques for obtaining school district level data from the various data sources revealed significant differences. For example, in the state of Texas, Census counts of poor children at the school district level from two sources differed by as much as 10-15 percent. One tabulation was the Special Tabulation by School District produced by the U.S. Office of Education. The other, also based on Census data, was compiled by local school superintendents in the state.

There are a number of techniques for gathering district level data from each of the sources listed above; any two of which are likely to yield different results because of definitional and methodological differences. Thus, the technique chosen for tabulating school district counts of poor may have a substantial impact on allocations.

The source of the difficulties is that school districts do not conveniently coincide with either Census enumeration areas or AFDC administrative areas and the methods used to apply those

Table 3.1
Overview of Data Sources Used in Subcounty Allocation
By State, Fiscal Year 1977

State	1970 Census of Population Data	AFDC Data		Neglected and Delinquent Data	Foster Data	State Income Tax Data	Free Lunch Data	Locally Selected Data	No Subcounty Allocation
		Above Poverty	All						
Alabama				X				X	
Alaska	X	X		X	X				
Arizona	X			X	X				
Arkansas			X	X	X		X		
California			X	X					
Colorado	X		X	X					
Connecticut	X	X		X	X				
Delaware			X ¹	X	X				
Florida									X
Georgia	X		X	X					
Hawaii	X		X	X					
Idaho	X	X		X	X				
Illinois	X	X		X	X				
Indiana	X			X					
Iowa			X	X	X	X			
Kansas	X	X		X	X				
Kentucky	X	X		X					
Louisiana				X				X	
Maine	X	X		X	X				
Maryland									X
Massachusetts			X	X					
Michigan	X	X		X					
Minnesota	X	X		X	X				
Mississippi	X			X	X				
Missouri			X	X	X				
Montana			X	X	X				
Nebraska	X		X	X					
Nevada									X
New Hampshire	X	X		X	X				
New Jersey	X	X		X					
New Mexico	X			X	X				
New York	X	X		X	X				
North Carolina				X	X			X	
North Dakota	X	X		X	X				
Ohio	X	X		X	X				
Oklahoma	X	X		X	X				
Oregon	X	X		X					
Pennsylvania	X	X		X	X				
Rhode Island	X	X		X	X				
South Carolina	X			X					
South Dakota	X	X		X	X				
Tennessee	X			X	X				
Texas	X			X	X				
Utah	X		X	X	X				
Vermont	X	X		X	X				
Virginia	X			X					
Washington	X			X					
West Virginia									X
Wisconsin	X	X		X	X				
Wyoming			X	X	X				
	35	21	13	46	29	1	1	3	4

¹Delaware uses AFDC above \$2,000.

Source: State Profiles of Subcounty Allocation Procedures,
Applied Urbanetics, Inc., March, 1977.

data to school districts are imperfect. Some data are collected at the school district level, such as Free Lunch and average daily attendance. These sources, however, are generally considered undependable. Even in Iowa, where state income tax returns are coded with school district identifiers, problems may arise because the very poor are not required to file state income tax returns.

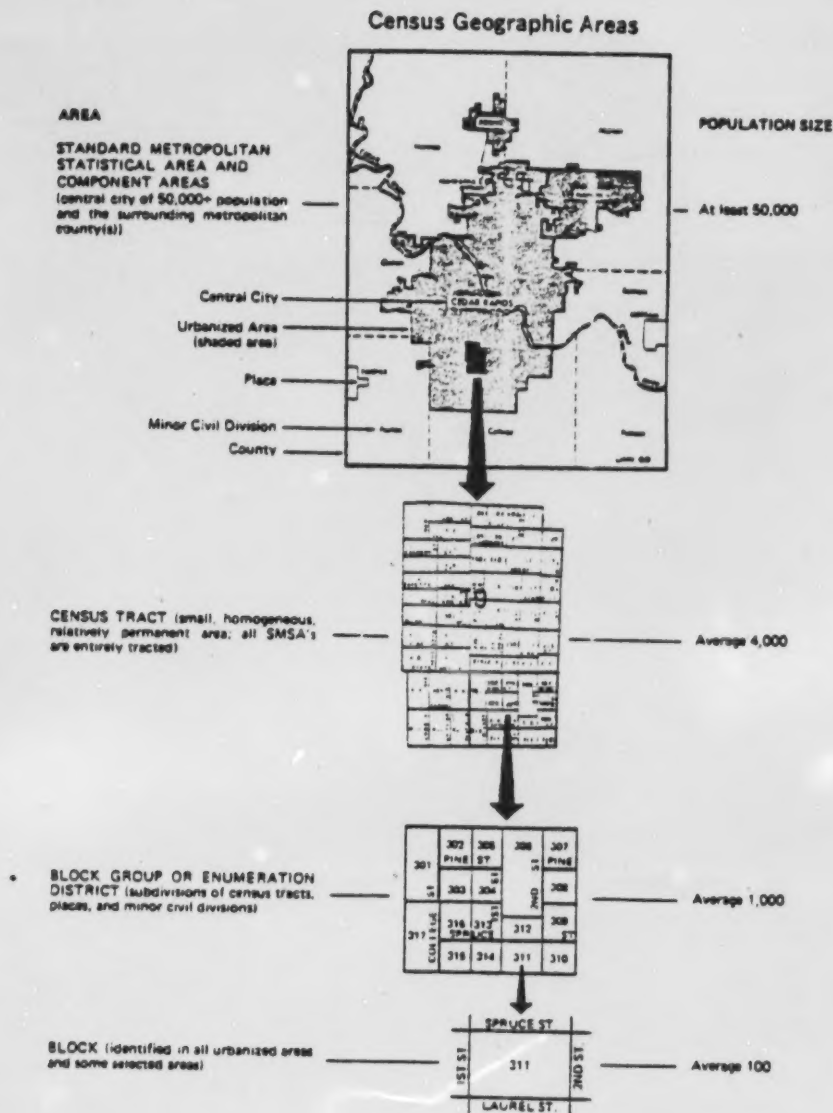
A. 1970 Census data are available from five sources.

The thirty-five states that use 1970 Census data for subcounty allocation have identified five separate sources from which school district level data may be acquired or developed:

- a. USOE's special tabulation of poverty data by school district (Special Tabulation by School District);
- b. USOE's school district data tapes (SDDT);
- c. USOE's special tabulation of poverty data for minor civil divisions and places (Special Tabulation by MCD/Place);
- d. Census Bureau's Fourth Count summary tapes by tract and minor civil division (Fourth Count); and
- e. Census Bureau's special Fifth Count file C by block group and enumeration district (Special Fifth Count).

Because of the central role that Census data play in allocation of Title I funds, a brief explanation of the relevant aspects of the Census is provided in the following subsection A.1. Readers already familiar with details of Census procedures will find that only the section on school district tabulations offers material not published elsewhere. Discussion of which Census sources states use in subcounty allocation is continued in subsection A.2.

Figure 3.1



A.1 Introduction to Census Data

Counts of children 5-17 in families below the Orshansky poverty level¹⁹ and below other income levels are available from the 1970 Census of Population. But the Census Bureau never "officially" tabulated such data for school districts and much controversy has arisen over the various methods by which school district data have been developed.

This section provides an overview of the 1970 Census, as it relates to subcounty allocation. The topics covered in the overview are Census geography, sampling, school district tabulations, and state tabulations.

Census Geography

Census Bureau tabulations are available for specific geographic areas that range in size from a city block to a multi-state region. Principal areas of potential value in subcounty allocation include (several of these areas are illustrated in Figure 3.1 on the following page):

Counties - the primary political and administrative division of states (except Louisiana where they are called parishes, Alaska where 29 divisions have been created as county equivalents, and in four states where 45 independent cities are considered county equivalents).

Minor Civil Divisions (MCDs) - primary political and administrative subdivisions of counties in 29 states, include townships, towns and precincts.

Place - any concentration of population, whether incorporated or unincorporated. Includes cities, towns, villages and boroughs (except where they are considered minor civil divisions) and any densely settled population centers without legally defined corporate boundaries.

¹⁹ Orshansky poverty level was made the official statistical standard for the U.S. government in a 1969 Bureau of the Budget directive. It is named after Mollie Orshansky of the Social Security Administration, who developed a table of family income levels below which the family would be considered "poor." Her definition, which is derived from low cost food budgets, allows for 124 different categories of family size, number of related children under 18, farm/nonfarm, sex of head of household, and age of head of household.

Tract - small areas defined by the Census Bureau into which large cities and adjacent urbanized areas have been divided. They were designed to be relatively homogeneous in socioeconomic status and the average tract has 4,000 inhabitants. Note that tracts are not defined outside urbanized areas (which are a central city of a metropolitan area and surrounding densely settled territory).

Enumeration District - small areas, with an average population of 800, defined by the Census Bureau for administrative control of Census operations.

Block Groups - subdivisions of Census tracts having a population of about 1,000, composed of blocks.

Blocks - pieces of land usually bounded by streets but sometimes bounded by railroad tracks or other features. Blocks are defined only in urbanized areas and a few other areas.

Sampling

The Bureau of the Census does not collect income data from all families. Only a very small amount of data, including age, race, sex and marital status, were collected from all households. Income, employment, place of birth and educational attainment data were collected from a sample of twenty percent of the households.

A twenty percent sample is reliable for national or statewide estimates. The Census Bureau cautions users, however, to exercise particular care in interpreting figures based on a relatively small number of cases. For example, a count of 50, based on a twenty percent sample, has a 33 percent chance of being less than 35 or more than 65. Similarly, a count of 100 has a 33 percent chance of being less than 80 or more than 120.

Because sampling error has more impact in smaller areas, Census estimates of poor people at the county level are not as reliable as they are at the National or statewide level, and the smaller the county the greater the likelihood of error in counts of low income persons.

In addition to possible errors resulting from the size of the sample with income data, Census analysts have demonstrated that some minority groups likely to be poor, are undercounted in the Census sample.

School District Tabulations

Although data on children in poverty are currently available for all of the areas described in subsection 1 (except blocks), a majority of school districts do not have boundaries which coincide with any of those areas. School district tabulations, therefore, require the identification of all Census areas which fall wholly or partially within the school district. After the identification is made, the Census data must be retabulated.

A state interested in obtaining school district tabulations of the poor as counted by the Census has two options. Either the state can accept one of two school district tabulations developed by the U.S. Office of Education, or the state can take officially published Census data at the Minor Civil Division (MCD) level and prepare its own tabulations by determining which portion of each MCD lies in each school district.

Both of the two U.S. Office of Education school district Census tabulations are based on the same geographic reference (georeference) file. It contains school districts with enrollments greater than 300²⁰. The georeference file was developed by the U.S. Office of Education's National Center for Education Statistics (NCES). Smaller districts were excluded partially because their boundaries were often less well defined than larger districts. The more important reason for this exclusion was the expectation of unacceptably large errors of estimation caused, first, by the fact that income data is asked of only one in five families and second, by the need to split block groups and enumeration districts.

²⁰ A number of smaller districts were also referenced, including those districts involved with Elementary and Secondary Education General Information Survey (ELSEGIS) and all districts in New York and Kansas. Those two states paid the additional costs to have the smaller districts included.

NCES developed the georeference file by first outlining school district boundaries on maps supplied by the Census Bureau. The maps already showed boundaries of Census areas. Cartographic analysts of the Bureau of the Census were put to work deciding what percentage of the area of each block group (inside urbanized areas) and enumeration district (outside urbanized areas) fell inside each school district. For accuracy, the process was performed twice and the results compared. Major discrepancies (percentages differing by more than ten percent) were resolved by reviewing the maps; minor ones were ignored. With those problems resolved²¹, computer tapes were prepared containing the georeference file.

To summarize, the georeference file, based on cartographic analysis, was simply a geography of school districts with enrollment greater than 300 which could be superimposed on Census areas. The georeference file did not produce population counts within school districts but permitted such counts to be produced. Any Census data could be aggregated at the school district level using this georeference file - for example, total population, total school-aged population, counts of children in poverty under various income levels.

Two entirely separate Census tabulations were generated using the georeference file. First, the Census Bureau made a tabulation of children 5-17, those living in families with income below the Orshansky poverty level and those living in families with incomes below \$2,000, \$2,500, etc. through \$6,000. The results, called the U.S. Office of Education Special Tabulations by School District, were printed by USOE and distributed to the states.

This tabulation, though valuable for subcounty allocation, contained none of the wealth of socioeconomic data that had been collected by the Census Bureau, including such items as education and employment status.

To make these data available by school district, a second tabulation was developed by Applied Urbanetics, Inc. (AUI), under contract to NCES. AUI retabulated data from Fourth Count Summary tapes (described in the following subsection)

²¹ Other methodological problems were not so easily identified. Some incorrect coding of school district identification numbers and incorrect mapping slipped through the quality control system. Implications of these problems are discussed in Chapter 2 of Volume III of this study.

to the school district level. The results were made available in computer tape format and called the School District Data Tapes (SDDTs).

The SDDTs contained counts of children in poverty which were different, in many cases, from those contained in the Special Tabulations by School District. Most of the differences can be attributed to the fact that the georeference file was applied to different Census areas for the two tabulations. The Special Tabulations by School District data were produced from block group and enumeration district data available to the Census Bureau.²² The School District Data Tapes were based upon tract and minor civil division (MCD) data. Tracts and MCDs are much larger than block groups and enumeration districts. The significance of this difference lies in the way in which the georeference file assigns population counts to school districts. The file assigns populations to school districts in proportion to the amount of the census area lying within the school district's boundaries. For example, if twenty percent of a minor civil division lies within a specific school district, the georeference file assigns twenty percent of the MCD's population to that school district. Low income people, however, are not necessarily evenly distributed in the population or in the area. Hence, errors are possible when low income populations are proportionally distributed in this fashion and the potential for such errors is larger for MCDs and tracts than for Block groups and enumeration districts. A second reason for differences between the two tabulations is that the Special Tabulation used Census data that had been corrected, while the School District Data Tapes used Census data that the Bureau had released before it knew that there was a systematic income coding error in 40,000 households.

²² MCD and tract data were used because the Census Bureau had not compiled economic, education or employment data for areas smaller than tracts and MCDs. Further, to ensure privacy, the Census Bureau would not allow the individual records to be used by any outside organization. The option of asking the Census Bureau to tabulate socioeconomic data for school districts was considered. However, the costs would have been substantially greater and extensive delays were anticipated because of higher priority work at the Census Bureau.

State Tabulations

States containing school districts with enrollments less than 300 and other states which do not have faith in the school district tabulation methods must turn to alternate sources to use Census data for subcounty allocations. To employ these alternates, the states must use procedures similar to the ones USOE used to develop their georeference file. States claim that their local knowledge may provide superior geographic cross referencing because they can account for poverty concentrations that USOE did not consider. Potentially, this process could become one of local agreement. For example, Texas requires the school superintendents in each county to meet and to agree on allocations of 1970 Census data among their districts.

The states had three optional data sources which they could retabulate by school district:

- a. Tabulations for Minor Civil Divisions and Places of children in families below the Orshansky poverty level and below other income levels. The Census Bureau produced these tabulations of children in families below the Orshansky level and other income levels under contract to USOE at approximately the same time that it was generating the same data for school districts. The tabulations were transmitted to state education agencies.
- b. Fourth Count Data Tapes and Related Publications - Census summary tapes were made available in six counts. The first three involved none of the sample data and are not of interest here. The Fourth Count, which included state, county, metropolitan area, place, MCD, CCD and tract tabulations, contains a wide array of socioeconomic data. Data tapes for the entire nation containing tract and MCD/CCD information fills 266 reels of computer tape. Included among these elements were: (a) children 5-17 in families with income below \$3,000, and (b) children 0-5 and 6-7 in families in poverty. Both of these data items were also published for all Census tracts in the Census Bureau's PHC-1 reports.

- c. Special Fifth Count - Fifth Count data contain fewer data items than Fourth Count but do include tabulations of families and persons, by poverty status and age (under 18). Originally, the Fifth Count was made available for metropolitan ZIP Codes only. However, the Reuben H. Donnelly Corporation contracted to have the Census Bureau develop a special Fifth Count by smaller geographic units - block group, enumeration district, tract and MCD/CCD - for the metropolitan and non-metropolitan areas for the company to use for targeting marketing efforts more closely than they could with ZIP Code data alone. The resulting file has since been made available to the general public through the Census Bureau.

These three sources will provide slightly different counts of children in poverty for the same areas. Reasons for the differences include: (a) the Fourth Count was released before all data problems had been resolved and the two special tabulations were based on later, more refined data than the Fourth Count; (b) neither the Fourth Count nor the Special Fifth Count has data for the exact age group 5-17 and projections from other age groups can introduce error; and (c) the Special Fifth Count is subject to suppression of data. Where the Census Bureau feels that counts being reported are so small that an individual family's characteristics may be revealed, those counts are suppressed. This is much more likely to occur at the block group or enumeration district levels than at higher levels of aggregation.

Most of the states that retabulate data from one of these three sources selected the MCD/Place special tabulations developed for USOE. In New England, this choice was appropriate because school districts are normally coterminous with towns which are, coincidentally, minor civil divisions. In other states, the choice was often made because the MCD/Place tabulations were readily available and appeared to have the official sanction of USOE. The Special Fifth Count, used in only one state, was not made available until nearly one year after the MCD data were published and distributed by USOE. Even when the Special Fifth Count was available, it was available only on computer tape and was not well publicized to state education agencies.

A.2 States currently use four of the five available Census sources.

The strengths and weaknesses of each of the five Census sources identified at the beginning of Section A are listed in Table 3.2,

Table 3.2
Sources of 1970 Census Counts of Children 5-17
In Families With Incomes Below Poverty

Data Sources	Strengths	Weaknesses
Special Tabulation by School District (USOE)	- contains school district data - counts of children 5-17 below Orshansky poverty and other income levels directly from basic records - available on listings from USOE - also counts of children 5-17 below other income levels	- does not include districts with enrollments less than 300 - depends on accuracy of georeference tape - small districts subject to large sampling variability errors
School District Data Tapes (USOE)	contains school district data	- does not include districts with enrollments less than 300 - depends on accuracy of georeference tape - small districts subject to large sampling variability errors - projects children 5-17 from those 0-5 and 6-17 - available only on computer tapes
Special Tabulation by MCD and Place (USOE)	- counts of children 5-17 below Orshansky poverty and other income levels directly from basic records - available on listings from USOE - also contains counts of children 5-17 below other income levels	- does not have data for school districts except where school districts and MCDs and places are coterminous - small areas subject to large sampling variability
Fourth Count (Census)	- covers all areas - available by tract, for metropolitan areas in printed reports from Census Bureau	- does not have data for school districts except where school districts and MCDs and places are coterminous - small areas subject to large sampling variability - projects children 5-17 from those 0-5 and 6-17 - available only on computer tapes from MCDs outside metropolitan areas
Special Fifth Count (Census)	- covers all areas - very small area data for for allocation to school district	- does not have data for school districts - small areas subject to large sampling variability and suppressions - projects children 5-17 from those 0-5 and 6-17 - available only on computer tapes

while Table 3.3 lists the source of Census data selected by each state. Most states use either the Special Tabulations by School District or the Special Tabulations by Minor Civil Division and Place, supplied to them by USOE. Most of the remaining states use either Fourth Count or Special Fifth Count Census data. Several states, including Colorado, Idaho, Nebraska and North Dakota, allocate all or part of their Census counts on the basis of average daily attendance.

No states currently use the School District Data Tapes (SDDT) although a few states did in prior years. The SDDTs are not used because (1) listings of the data from those tapes were not sent to the states, while listings of the Special Tabulations were, and (2) the Special Tabulations were more accurate because they used smaller geographic areas, less likely to be split by school districts, and because they used basic Census data that had been revised and corrected by the Census Bureau, while the School District Data Tapes used data that had been released before the Census errors had been revised and corrected.

Forty percent of the states using Census data use the USOE-supplied school district tabulations while the remainder depend on alternative sources. The reasons state administrators gave for not using the Special Tabulations by School District are summarized below:

- school districts in New England are usually identical to towns and those states used town data from the MCD tabulations. (In these cases, towns and school district data would be identical).
- Several state Title I coordinators indicated that a more accurate reflection of poverty could be obtained by allowing the school districts to participate in determining the Census counts.
- In South Dakota, the school district boundaries had undergone vast reorganization since the 1970 Census and the Special Tabulations were seen to be outdated.
- Five state Title I coordinators indicated they had never received the USOE tabulation by school district.
- Two states found the Special Tabulations by School District to be unacceptable because the states have large numbers of districts with enrollment under 300 which are not on the USOE Special Tabulations. Spokesmen for both of these states noted they faced

Table 3.3
Tabulations of 1970 Census Counts Used for
Subcounty Allocation,¹ by State,² Fiscal Year 1977

State	USOE Special Tabulation by School District	USOE Special Tabulation by Minor Civil Division and Place	Census Bureau Fourth Count Tapes by Tract and Minor Civil Division	Census Bureau Special Fifth Count by Block Group and Enumeration District
Alaska		X		
Arizona			X	
Colorado	X			
Connecticut	X ³			
Georgia	X			
Hawaii			X	
Idaho	X			
Illinois				X
Indiana	X			
Kansas	X			
Kentucky	X			
Maine	X ³			
Michigan		X		
Minnesota	X			
Mississippi	X			
Nebraska ⁴				
New Hampshire		X		
New Jersey		X		
New Mexico		X		
New York	X			
North Dakota	X			
Ohio		X		
Oklahoma			X	
Oregon		X		
Pennsylvania		X		
Rhode Island			X	
South Carolina	X			
South Dakota		X		
Tennessee		X		
Texas		X		
Utah		X		
Vermont		X		
Virginia		X		
Washington		X		
Wisconsin		X		
Totals	13	16	4	1

¹Auxiliary 1970 Census data tabulations and methods used by states for districts with less than 300 enrollment are shown in Table 3.4.

²Includes only those states which use Census data in subcounty allocation.

³For these states, Minor Civil Divisions (towns) and School Districts are coterminous.

⁴Nebraska allocates county Census data to school districts on the basis of average daily attendance.

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

the added complexity of districts crossing county boundaries in many cases. One of those spokesmen had the further belief that the Special Tabulations were incorrect in their treatment of cross county districts.

- Two state Title I administrators felt the numbers supplied by the USOE Special Tabulations by School District were inaccurate. One of these two has also one of the two states with large numbers of districts with enrollment below 300.
- One state Title I administrator used Fifth Count data in the belief that it was more accurate than the data used by USOE and Census in compiling the School District Tabulations.

In summary, a few states did not use the Special Tabulations because of a belief that they were inaccurate. Several others misunderstood what was on the tabulations or the Title I coordinators never received them.

The states that use special tabulation by school district must obtain, through a different route, data for districts with enrollments less than 300.

Six of these states have a substantial percentage (eight percent or more) of their districts with enrollments less than 300. To obtain Census data for the smaller districts, those states either (1) use average daily attendance data to allocate Census counts (Colorado, Idaho and North Dakota) or (2) map school districts to Census areas, (Kansas, Maine and Minnesota).

Techniques used by all states for obtaining Census data for small districts are listed in Table 3.4.

B. AFDC data gathering depends on welfare agency cooperation.

There are two major aspects of AFDC data gathering that relate to subcounty allocation. Subsection 1 deals with the collection of the data. Subsection 2 concerns the different AFDC payment levels that states designate as the minimum for Title I eligibility.

B.1 Collection of Data

Data sources for school district counts of AFDC children are determined predominantly by the degree of cooperation of

Table 3.4
Census Data (1970) Tabulations and Methods Used for
Districts With Enrollment Less Than 300, by State,¹ Fiscal Year 1977

State	USOE Special Tabulation by Minor Civil Division and Place	Census Bureau Fourth Count Tapes by Tract and Minor Civil Division	Census Bureau Special Fifth Count by Block Group and Enumeration District	Attendance	Other	Exhibit
						Percent of Districts With Enrollment Less Than 300
Alaska	X					46
Arizona		X				39
Colorado				X		32
Connecticut	X					7
Idaho				X		26
Illinois			X			20
Indiana		X				1
Kansas	X					16
Kentucky	X					1
Maine	X					42
Michigan	X					13
Minnesota	X					9
Nebraska				X		85
New Hampshire	X					41
New Jersey	X					13
New Mexico	X					23
New York					1960 percentage	7
North Dakota				X		68
Ohio	X					.01
Oklahoma		X				68
Oregon	X					49
Rhode Island		X				2
South Dakota	X					39
Texas	X					31
Utah	X					5
Vermont	X					61
Washington	X					30
Wisconsin	X					6
Total	18	4	1	4	1	

¹Includes only states which use 1970 Census data and have school districts with enrollments less than 300.

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

state and local welfare offices. If welfare departments are willing, they can provide AFDC counts by school district. Otherwise, state or local welfare offices must provide the data in the form of lists of names or addresses of AFDC children. Welfare agencies, understandably, have been reluctant in many states to provide this second kind of information because they fear they are compromising the privacy of the families involved. Local welfare agencies often must be ordered to cooperate by their state welfare departments before they make data available.

Table 3.5 shows the states using each of the four alternative methods by which AFDC data must be gathered for subcounty allocation:

- a. Local welfare agencies identify school district of each child and submit counts to state education agencies (welfare determination);
- b. Local welfare agencies supply addresses of students to local education agencies which match the address to school districts (LEA address match);
- c. Local welfare agencies supply names of students to local education agencies, which match the names with enrollment lists (LEA name match); and
- d. Local welfare agencies supply counts of children by "town" (in New England) to state education agencies which aggregate towns into school districts (SEA match).

In forty percent of the states using AFDC the welfare agencies determine the school district of each AFDC child and provide counts to the SEA. In another 27 percent of the states, welfare agencies provide data by town and the SEA simply groups towns to obtain school district counts. Name and address matching is used in eight states.

Where local welfare agencies identify school districts, they do so either when the child's family applies for AFDC or, later, when the state sends them lists of AFDC children 5-17. Nearly all states that determine school districts during the application process use computer coding forms. (Only New Jersey does not).

Computerized systems, in which the school district is identified, significantly ease the administrative burden of attaining

Table 3.5
Methods of Acquiring School District Level
AFDC Counts, by State,¹ Fiscal Year 1977

State	Local Welfare Agencies Identify School District	LEAs Address Match to School District ²	LEAs Name Match to School District ²	SEAs Match "Towns" to School District	Other
Alaska					Local knowledge (SEA)
Arkansas	X				
California		X	X		
Colorado			X		
Connecticut				X	
Delaware	X				
Georgia		X			
Hawaii				X ³	
Idaho					Local knowledge (SEA)
Illinois					Card voucher system
Iowa	X				
Kansas	X				
Kentucky				X ⁴	
Maine				X	
Massachusetts				X	
Michigan		X			
Minnesota	X				
Missouri	X				
Montana		X	X		
Nebraska	X				
New Hampshire				X	
New Jersey	X				
New York		X	X		
North Dakota	X				
Ohio	X				
Oklahoma					Local Knowledge (SEA)
Oregon		X			
Pennsylvania	X				
Rhode Island				X	
South Dakota	X				
Utah		X	X		
Vermont				X	
Wisconsin	X			X	
Wyoming					
	13	7 ²	5 ²	9	4

¹Includes only those states which use AFDC data in subcounty allocation.

²Same states use both name and address matching. In total, LEA's are responsible for AFDC data in eight states.

³SEA consultant address matches to school district.

⁴SEA address matches to school district.

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

school district counts of AFDC data. However, implementing such systems can require up to four years to work out all the problems and ensure a smooth and accurate flow of data.

A unique method is currently being attempted in Illinois where the state aid formula is tied to Title I allocations. In that state, a card is sent by the state welfare agency to the family of each child on AFDC. The child carries the card to his or her school where it is coded, by school and school district, and mailed to the state education agency for tabulation. Although numerous complaints of invasion of privacy have been lodged, the SEA appears to be getting a return rate in excess of 97 percent. The data were collected in 1976 and the counts will be used for a few years.

B.2 AFDC Payment Levels

In addition to differences in collection methods, states differ in their choice of the minimum AFDC payment level families must receive to be included in the calculation of subcounty allocation. The 1974 Amendments to Title I specify that the annual allocations are to be made partially on the basis of counts of children in families receiving payments from AFDC in excess of the 1970 Census definition of poverty for a nonfarm family of four (updated by increases in the Consumer Price Index). \$5,040 was the figure used in FY 1977.

As shown in Table 3.6, in many states, this cutoff level excludes most AFDC children and makes the AFDC data gathering job much smaller than it was before the 1974 Amendments. Compared with the previous allocation formula which used a minimum payment level of \$2,000, the number of Title I eligible AFDC children has dropped substantially (from 3.4 million in FY 1973 to fewer than 600,000 in FY 1977). Some states (Alabama, Arizona, Arkansas, Georgia, Mississippi, Montana, New Mexico, South Carolina, Tennessee, Texas and Wyoming) have no children in families receiving payments above the current poverty level. Only 12 states (California, Connecticut, Hawaii, Illinois, Massachusetts, Michigan, New Jersey, New York, Oregon, Pennsylvania, Washington and Wisconsin) receive more than ten percent of their allocations based on AFDC children above poverty. On the other hand, the ten states that use total numbers of AFDC children in their subcounty allocation formula must continue to match increasing numbers of AFDC children to school districts.

Table 3.6
Percent of Title I Eligible Children Who Are in
Families Receiving AFDC Payments Above the Current Poverty Line,
By State, Fiscal Year 1977

State	Percent
Alabama	0.5
Alaska	6.2
Arizona	0
Arkansas	0
California	10.3
Colorado	2.3
Connecticut	14.3
Delaware	2.6
Florida	0.0022
Georgia	0
Hawaii	23.5
Idaho	2.6
Illinois	19
Indiana	1.7
Iowa	7.1
Kansas	3.2
Kentucky	0.069
Louisiana	0.0041
Maine	3.4
Maryland	0.58
Massachusetts	14.7
Michigan	25.6
Minnesota	7.9
Mississippi	0
Missouri	0.27
Montana	0
Nebraska	1.1
Nevada	0.41
New Hampshire	4.5
New Jersey	16.4
New Mexico	0
New York	23.2
North Carolina	0.003
North Dakota	2.2
Ohio	1.7
Oklahoma	0.33
Oregon	11.9
Pennsylvania	12.4
Rhode Island	9.3
South Carolina	0
South Dakota	1.3
Tennessee	0
Texas	0
Utah	6.1
Vermont	9.4
Virginia	0.14
Washington	11.5
West Virginia	0.0064
Wisconsin	12.5
Wyoming	0
District of Columbia	9.5

Source: "1977 Formula Children Count for Local Education Agencies",
 Unpublished data, USCE, 1976.

As Table 3.1 showed, of the 34 states which include AFDC data in their formulas, 21 use AFDC above poverty, while 12 use total counts of AFDC. Delaware uses AFDC above \$2,000 as of 1971.

C. Data on children in institutions for the neglected and delinquent are readily available.

Neglected and delinquent children present the fewest data problems for subcounty allocation. The official forms required by USOE from each institution, to qualify their residents for Title I purposes, include school district data. The form used through FY 1977 has been reproduced on the following page, and the new form, currently being designed, will retain the school district requirement.

The institutions submit these forms directly to the U.S. Office of Education. Thus, USOE has counts of children 5-17 in N&D institutions and supplies those counts to the states for use in subcounty allocations.

D. Data on children in foster homes require the same gathering procedures used for AFDC.

Foster homes are usually supported by the same welfare agencies that provide Aid to Families with Dependent Children. Assigning these children to school districts requires the same address or name matching methods used for AFDC children. With the exceptions of Utah and New York, states which include both AFDC and foster children in their formulas use the same gathering method for foster data as for AFDC data. In Utah, LEAs match AFDC data while local welfare agencies match foster children with school districts. In New York, LEAs match AFDC data while the SEA matches foster data which the welfare department provides by community. Foster children data gathering methods are summarized in Table 3.7:

Several states claim to include foster data in their formulas but they actually do not. Those states estimate school district level foster data on the basis of 1970 Census counts of poor children. The effect of this procedure is to increase the weight of Census data, relative to AFDC data. In fact, actual intra-county distribution of foster children plays no role in subcounty allocation in these states.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

FORM APPROVED
O.M.B. NO. 51-RO715

ANNUAL SURVEY OF CHILDREN IN LOCAL INSTITUTIONS FOR
NEGLECTED OR DELINQUENT CHILDREN OR IN CORRECTIONAL
INSTITUTIONS, ESEA, TITLE I

FISCAL YEAR

1977

(Please read the instructions on reverse before completing this form. The information provided in this report will be used in determining grants for local educational agencies as authorized by Public Law 89-10, as amended.)

SECTION I - INSTITUTION AND SCHOOL DISTRICT

1. LEGAL NAME AND ADDRESS OF INSTITUTION (include Zip code)	2. TYPE OF INSTITUTION (Check only one box to identify the type of institution being reported)
3. NAME OF LOCAL (PUBLIC) SCHOOL DISTRICT IN WHICH THIS INSTITUTION IS LOCATED	A. ☐ "AN INSTITUTION FOR NEGLECTED CHILDREN" - A PUBLIC OR PRIVATE NONPROFIT RESIDENTIAL FACILITY (other than a foster home) WHICH IS OPERATED PRIMARILY FOR THE CARE OF, FOR AN INDEFINITE PERIOD OF TIME, AT LEAST TEN CHILDREN WHO HAVE BEEN COMMITTED TO THE INSTITUTION, OR VOLUNTARILY PLACED IN THE INSTITUTION, AND FOR WHOM THE INSTITUTION HAS ASSUMED OR BEEN GRANTED CUSTODIAL RESPONSIBILITY PURSUANT TO APPLICABLE STATE LAW, BECAUSE OF THE ABANDONMENT OR NEGLECT BY, OR DEATH OF, PARENTS OR PERSONS ACTING IN THE PLACE OF PARENTS.
ADDRESS (Number, Street, City, State, and ZIP Code)	B. ☐ "AN INSTITUTION FOR DELINQUENT CHILDREN" - A PUBLIC OR PRIVATE NONPROFIT RESIDENTIAL FACILITY WHICH IS OPERATED PRIMARILY FOR THE CARE OF, FOR AN INDEFINITE PERIOD OF TIME OR FOR A DEFINITE PERIOD OF TIME OTHER THAN ONE OF SHORT DURATION, CHILDREN WHO HAVE BEEN ADJUDICATED TO BE DELINQUENT CHILDREN. (For purposes of this survey, a period of short duration is less than 30 days).
NAME OF COUNTY IN WHICH SCHOOL DISTRICT IS LOCATED	C. ☐ "CORRECTIONAL INSTITUTION HOUSING CHILDREN AGED 5-17 INCLUSIVE" - A LOCALLY ADMINISTERED PRISON, JAIL, WORKHOUSE, OR SIMILAR FACILITY IN WHICH CHILDREN ARE HOUSED AS A RESULT OF THEIR HAVING BEEN COMMITTED TO THAT INSTITUTION IN ACCORDANCE WITH STATE LAW AND FOR WHOM THE AVERAGE LENGTH OF STAY IS AT LEAST THIRTY DAYS.
4. LEGAL OR ADMINISTRATIVE BASIS FOR DESIGNATION OF THIS INSTITUTION, AS INDICATED IN ITEM 2	
5. CASELOAD DATA	

SECTION II - BASIS FOR ELIGIBILITY

	YES	NO
1. a. NEGLECTED (Only) IS THIS INSTITUTION OPERATED PRIMARILY FOR THE CARE OF CHILDREN WHO ARE ORPHANED OR WHO HAVE BEEN COMPLETELY REMOVED FROM CUSTODY OF THEIR PARENTS?		
b. DELINQUENT (Only) (1) IS THIS INSTITUTION OPERATED PRIMARILY FOR THE CARE OF CHILDREN WHO HAVE BEEN DETERMINED BY APPROPRIATE AUTHORITY TO BE DELINQUENT CHILDREN? (2) DID MORE THAN HALF THE CHILDREN RESIDING IN THIS INSTITUTION LAST CALENDAR YEAR STAY - 30 DAYS OR LONGER?		
c. CORRECTIONAL (Only) IS THE AVERAGE LENGTH OF STAY AT LEAST 30 DAYS FOR CHILDREN AGED 5-17 WHO HAVE BEEN COMMITTED TO THIS CORRECTIONAL INSTITUTION?		
2. DOES CASELOAD DATA INCLUDE ONLY RESIDENTS OF THE INSTITUTION, RECEIVING 24 HOUR CONTINUOUS CARE?		
3. DOES CASELOAD DATA INCLUDE ONLY CHILDREN AGES 5-17 INCLUSIVE?		
4. DOES INSTITUTION SERVE NEGLECTED OR DELINQUENT CHILDREN WITHOUT A TUITION CHARGE?		
5. IS INSTITUTION A NON-PROFIT RESIDENTIAL FACILITY?		

SECTION III - CERTIFICATION BY CHIEF ADMINISTRATIVE OFFICIAL OF INSTITUTION

I CERTIFY that the information provided on this form is, to the best of my knowledge, complete and accurate. A knowingly false claim on this report is a criminal offense under U.S. Code, Title 18, Section 1001 or Section 287.

SIGNATURE	DATE SIGNED
TYPED NAME AND TITLE	TELEPHONE
	AREA CODE NUMBER EXTENSION

SECTION IV - REVIEW AND APPROVAL OF STATE TITLE I COORDINATOR, ESEA

TYPED NAME	SIGNATURE	DATE SIGNED
------------	-----------	-------------

Table 3.7
Methods of Acquiring School District Level Counts of
Foster Children, by State,¹ Fiscal Year 1977

State	Local Welfare Agencies Identify School District	LEAs Address Match to School District ²	LEAs Name Match to School District ³	SEAs Match "Towns" to School District	Other
Alaska					Local knowledge
Arizona	X				
Arkansas	X				
Connecticut				X	
Delaware	X				
Idaho					Local knowledge
Illinois					Card voucher system
Iowa	X				
Kansas	X				
Maine				X	
Minnesota	X			X ³	
Mississippi					
Missouri	X				
Montana		X	X		
New Hampshire				X	
New Mexico	X			X ⁴	
New York				X	
North Carolina					
North Dakota	X				
Ohio	X			X ⁵	
Oklahoma					
Pennsylvania	X			X	
Rhode Island					
South Dakota	X				
Tennessee	X				
Texas	X				
Utah	X				
Vermont				X	
Wyoming				X	
	15	1 ²	1 ²	10	3

¹Includes only those states which use foster data in subcounty allocation.

²Both name and address matching is used.

³SEA address matches to school district.

⁴SEA matches "communities" to school district.

⁵SEA surveys foster homes.

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

E. State income tax data are used in Iowa.

For subcounty allocation in Iowa, 1970 Census data are replaced by tabulation of numbers of dependents in families below the current updated poverty level. Taxpayers are required to code their school district on their tax returns. The state tabulates the number of dependents living in families below poverty. The method provides current and comprehensive poverty data. It lacks total coverage, however, because families with income below \$1,200 (excluding transfer payments such as AFDC) are not required to file state tax returns.

F. Free Lunch data are used only in Arkansas.

The U.S. Department of Agriculture's Free Lunch program provides no-cost noon meals to school children in families with incomes below \$7,130 (for a family of four, in most states). School districts administer the program and are required to maintain and file an income certificate for each child participating in the program. Thus, school districts have readily available data on the numbers of pupils below the Free Lunch eligibility cutoff.

These data are rarely used for subcounty allocation for two reasons: (1) income certificates are not considered to be reliable because some parents will claim lower income to get their children free lunches while others will not want their children to participate at all, and (2) the data generally cover only public school enrollment and thus exclude all poor children outside the public school system. Of the two, the first reason is more often given as the rationale for excluding Free Lunch data.

Even in Arkansas, Free Lunch data are evenly weighted with total AFDC counts, despite double counting, in an effort to overcome some of the weaknesses in Free Lunch data.

G. Few states use average daily attendance for allocation of Title I.

Only in the state of Nebraska are average daily attendance (ADA) data used for all school districts in the subcounty allocation formula, and Nebraska weights ADA with AFDC data. Nebraska used ADA because it has over 300 school districts, most of which were too small to have been included in Census data tabulations by school districts.

Three other states, Colorado, Idaho and North Dakota, use ADA to estimate 1970 Census data for school districts with enrollments below 300.

CHAPTER 4. WHAT ARE THE COSTS AND ADMINISTRATIVE PROBLEMS OF SUBCOUNTY ALLOCATION?

The complexity and variety of subcounty allocation procedures that have been described in the previous three chapters might naturally raise expectations of continuing problems. These problems could exist at the state level, they could require constant scrutiny by USOE review teams, and one might expect high costs. However, as this chapter demonstrates, subcounty allocation causes few problems for states, is rarely cited by USOE, and absorbs only a small fraction of state administrative funds.

But to say that subcounty allocation does not pose an administrative problem is not to say that the process results in equitable treatment of school districts. This chapter concludes with a statement of the need for an assessment of the distributional impact of subcounty allocation and with a description of how Volumes II, III, and IV of this report present and build upon such an assessment.

A. States receive few complaints from school districts concerning the subcounty allocation of funds.

Most states reported that they received few or no complaints from school districts concerning their allocations. The few complaints that states did receive were generally concentrated at the time that allocation formulas shifted.

For example, in 1975, Massachusetts switched from a Census-based formula to an AFDC-based formula and received several complaints from suburban school districts who claimed that they were being unfairly treated, as evidenced by their declining allocation. The State Title I office in Massachusetts resolved the complaints by calculating hypothetical 1975 grants based on the old, Census-based formula. The exercise demonstrated that those districts would, in most cases, receive decreased grants under the old formula, as well as under the AFDC-based formula.

Similarly, in many states, complaints arose in districts which lost funds during the shift to the 1970 Census data in 1974 and to AFDC above poverty in 1975. These complaints were resolved in many ways. In Texas, for example, the State Title I office required all districts in each county to meet and agree upon fair apportionment of 1970 Census data among the districts.

In those states in which allocations have increased enough to give most districts increased grants, the districts did not, in general, complain of unfair treatment despite the possibility that some districts received much greater increases than others.

B. USOE reviews of state programs rarely find fault with subcounty allocation techniques.

USOE personnel, who regularly review all major aspects of state Title I administration, rarely take issue with state procedures for subcounty allocation. Of more than 100 state program review letters prepared by USOE during FY 1976, only 11 mentioned subcounty allocation at all and only four of those identified problems. The majority of the comments paralleled that in the letter to Montana in which USOE said, "... subcounty allocation procedures... were found to be operationally effective." Other positive comments centered on specific aspects of subcounty allocation procedures.

The four problem citations are listed below.

1. Delaware was chided for using out-of-date (1971) AFDC data and for using only
• children in families with payments above \$2,000 while excluding Census counts.
2. Ohio was cited for not listing N&D grants separately on the notice of grant awards that went to LEAs.
3. Oregon's letter had an oblique mention of substate allocation: "All children throughout the state receive the same allocation amount per child," but made no value judgment on the process.
4. South Dakota was cited for past practices of using attendance data and of using substate allocation. However, the letter went on to indicate that those procedures had or were being changed for FY 1977.

There are several explanations for the minimal number of problems found by USOE:

1. Broad discretion allowed by the regulations makes most state procedures acceptable.
2. USOE reviewers have little time to delve into details of the essentially noncontroversial subcounty allocation processes. They have to cover a large number of sensitive issues, such as evaluation, target school selection, and auditing.
3. USOE personnel do not have sufficient knowledge of local demographics to discuss details of distributions of poverty children among school districts.

In sum, USOE review teams have neither the time nor the detailed local knowledge necessary to evaluate subcounty allocation methods; furthermore, the regulations allow enough latitude to the states that few problems would be found in the methods used by the states.

- C. Costs are incurred by both state and local agencies for subcounty allocation and the majority of recurring costs are borne by local agencies.

LEAs and local welfare agencies were shown in Chapter 3 to play a major role in compiling AFDC and foster children statistics needed by the SEAs to perform calculations for subcounty allocation. The calculation process, itself, is a minor task requiring little time. On the other hand, gathering the statistics used in making these calculations can require larger amounts of resources.

Table 4.1 shows available cost data grouped into three categories²³:

1. One time costs of compiling 1970 Census data (not applicable for states in which USOE tabulations by school district were judged adequate or in which Census data are not used in subcounty allocation);

²³ Many of the costs incurred at the local level were unknown to State Title I coordinators who supplied the estimates.

Table 4.1
Subcounty Allocation Costs, by State, Fiscal Year 1976

State	One Time Costs Census Tabulations	Recurring Costs				Exhibits	
		AFDC and Foster, or Other Data Gathering		Calculation and Dissemination of Grants by SEA	Total SEA	SEA Recurring Costs as a Percent of SEA Administrative Budget	Local Recurring Costs as a Percent of Total LEA Grants
		Local Costs	SEA Costs				
Alabama	\$4,725 ¹	\$0	\$0	\$450	\$450	0.1%	0%
Alaska	240	0	0	875	875	0.6	0
Arizona	400	0	440	1,650	2,090	1.2	0
Arkansas	0	525	525	700	1,225	0.5	0.002
California	0	150,000	0	1,100	1,100	0.7	0.1
Colorado	Unknown	19,238	0	1,650	1,650	0.9	0.1
Connecticut	0	225 ⁵	0	550	550	0.3	0.001 ⁵
Delaware	0	0	0	110	110	0.07	0
Georgia	0	Unknown	630	550	1,180	0.2	-
Hawaii	Unknown	0	2,000	375	2,375	1.6	0
Idaho	Unknown	0	35	110	145	0.1	0
Illinois	30,000	Unknown	Unknown	3,300 ⁵	-	-	-
Indiana	1,230	0	300	910	1,210	0.5	0
Iowa	0	75	2,500	250	2,750	1.7	0.0005
Kansas	Unknown	Unknown	0	1,675	1,675	1.1	-
Kentucky	Unknown	Unknown	0	375	375	0.1	-
Louisiana	Unknown ¹	0	0	38	38	0.01	0
Maine	0	Unknown	Unknown	150	-	-	-
Massachusetts	0	Unknown	550	225 ⁵	775 ⁵	0.2 ⁵	-
Michigan	0 ²	56,025	0	30,000	30,000	3.5	0.08
Minnesota	4,200	10,000	0	1,260	1,260	0.4	0.04
Mississippi	1,575	0	75	145	220	0.05	0
Missouri	0	2,088 ⁵	35	738 ⁵	773 ⁵	0.2 ⁵	0.01 ⁵
Montana	0	5,000	0	500	500	0.3	0.1
Nebraska	Unknown	Unknown	150	600	750	0.5	-
New Hampshire	35	Unknown	210	395	605	0.4	-
New Jersey	150	Unknown	420	880	1,400	0.2	-
New Mexico	300	Unknown	0	300	300	0.2	-
New York	0	Unknown	6,395	1,140	7,535	0.4	-
North Carolina	Unknown ¹	Unknown	0	130	130	0.02	-
North Dakota	75	150	75	225	300	0.2	0.003
Ohio	Unknown	Unknown	Unknown	Unknown	-	-	-
Oklahoma	52,640	Unknown	150	225	375	0.2	-
Oregon	750	7,500	0	405	405	0.2	0.06
Pennsylvania	375	10,350	8,750	2,200	10,950	1.2	0.01
Rhode Island	Unknown	Unknown	Unknown	150	-	-	-
South Carolina	0	0	110	330	440	0.1	0
South Dakota	10,400 ³	0	295	830	1,125	0.8	0
Tennessee	Unknown	Unknown	0	550	550	0.1	-
Texas	5,182 ⁴	Unknown	1,404	887	2,291	0.2	-
Utah	750	5,579	380	370	750	0.5	0.1
Vermont	0	326	75	375	450	0.3	0.01
Virginia	0	0	0	38	38	0.01	0
Washington	2,350	0	0	555	555	0.2	0
Wisconsin	Unknown	Unknown	0	1,100	1,100	0.4	-
Wyoming	0	Unknown	225	525	750	0.5	-
TOTAL					\$82,025		

¹Costs incurred by LEAs in meeting to reach consensus.

²These costs are also included in recurring local costs.

³One time costs are separated into \$5,400 for Census tabulations and \$5,000 for the development of a computer program to use Census and other data to determine allocations.

⁴This amount includes only the development of a computer program to use Census and other data to determine allocations. An additional undetermined cost was spent for Census tabulations.

⁵Not including computer related costs.

Source: State Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., March, 1977.

2. Recurring costs of compiling school district statistics by LEAs and local welfare agencies (not applicable where Census data are used exclusively); and
3. Recurring costs of calculating grants, informing the districts, and responding to complaints.

From the table, it is clear that the third category, recurring costs of calculating grants, is a small amount constituting no more than \$5,000, except in Michigan and Pennsylvania. Michigan's \$30,000 cost apparently reflects substantial management assistance provided by the state to LEAs compiling AFDC and foster children data. The \$10,950 cost in Pennsylvania includes substantial computer resources.

Although detailed costs are not known, available state estimates of local agency costs do not exceed 0.1 percent of LEA grants.

National totals cannot accurately be compiled because of incomplete data. However, based on the data available, total recurring costs will not exceed an estimate of \$100,000 for all SEAs in the nation. Similar LEA and local welfare agency estimates cannot be made on the basis of available information.

- D. A systematic assessment of the distribution of subcounty allocated funds would provide valuable policy information.

The variety of formulas selected by states and the array of data gathering techniques cannot all be expected to replicate the allocations to school districts that the statutory formula would have provided. The latitude given states in subcounty allocation has been justified on the basis of limited data availability. However, the intent of Congress was certainly not to shift allocations from districts that would have received them if data had been available to execute the statutory formula at the school district level.

An important policy question is whether, indeed, there are systematic shifts of funds taking place due to the subcounty allocation techniques selected by various states. If such shifts are found, and their causes can be isolated and related to particular aspects of the law or regulations, then Congress may wish to change the law or USOE may wish to change the regulations.

Volumes II and III of this report will present data that will help to draw such conclusions:

Volume II, Analysis of Implications of Variations in Subcounty Allocation Formulas, will present the findings of a statistical assessment of the amounts of money shifted and the types of districts that gained and lost funds because of various subcounty allocation techniques.

Volume III, Direct Allocation to School Districts by USOE: A Feasibility Study, will summarize an assessment of the feasibility of USOE taking a greater role in providing the data on which subcounty allocation is based.

Volume IV: Executive Summary, will draw upon the first three volumes to assess the various policy options available and to make recommendations on which of those options should be pursued.

78 / 79

TITLE I OF THE ELEMENTARY AND SECONDARY
EDUCATION ACT, AS AMENDED...

with subcounty allocation annotations in the margin

TITLE I—FINANCIAL ASSISTANCE TO LOCAL EDU-
CATIONAL AGENCIES FOR THE EDUCATION OF
CHILDREN OF LOW-INCOME FAMILIES

Elementary and Secondary Education Act
of 1965, as amended, including changes made
by Pub. L. 93-380, approved August 21, 1974.

DECLARATION OF POLICY

SECTION 101. In recognition of the special
educational needs of children of low-income
families and the impact that concentrations
of low-income families have on the ability
of local educational agencies to support ade-
quate educational programs, the Congress
hereby declares it to be the policy of the
United States to provide financial assistance
(as set forth in the following parts of this
title) to local educational agencies serving
areas with concentrations of children from
low-income families to expand and improve
their educational programs by various means
(including preschool programs) which con-
tribute particularly to meeting the special
educational needs of educationally deprived
children.

...provide financial assistance...

...to local education agencies...

DURATION OF ASSISTANCE

Sec. 102. During the period beginning July
1, 1973, and ending June 30, 1979, the Com-
missioner shall, in accordance with the pro-
visions of this title, make payments to State
educational agencies for grants made on the
basis of entitlements created under this title.

...make payments to State education
agencies for grants...

PART A—BASIC GRANTS

SUBPART I—GRANTS TO LOCAL EDUCATIONAL
AGENCIES

Sec. 103. (a) (1) There is authorized to be
appropriated for each fiscal year for the pur-
pose of this paragraph 1 per centum of the
amount appropriated for such year for pay-
ments to States under section 143(a) (other
than payments under such section to juris-
dictions excluded from the term "State" by
this subsection, and payments pursuant to
section 124), and there shall be authorized
to be appropriated such additional sums as
will assure at least the same level of funding
under this title as in fiscal year 1973 for
Guam, American Samoa, the Virgin Islands,
the Trust Territory of the Pacific Islands,
and to the Secretary of the Interior for pay-
ments pursuant to paragraphs (1) and (2) of
subsection (d). The amount appropriated
pursuant to this paragraph shall be allotted
by the Commissioner (A) among Guam,
American Samoa, the Virgin Islands, and
the Trust Territory of the Pacific Islands ac-
cording to their respective need for grants
under this part, and (B) to the Secretary of
the Interior in the amount necessary (i) to
make payments pursuant to paragraph (1)
of subsection (d), and (ii) to make payments
pursuant to paragraph (2) of subsection (d).
The grant which a local educational agency
in Guam, American Samoa, the Virgin
Islands, and the Trust Territory of the Pacific
Islands is eligible to receive shall be deter-
mined pursuant to such criteria as the Com-
missioner determines will best carry out the
the purposes of this title.

(2) In any case in which the Commissioner determines that satisfactory data for that purpose are available, the grant which a local educational agency in a State shall be eligible to receive under this subpart for a fiscal year shall (except as provided in paragraph (3)) be determined by multiplying the number of children counted under subsection (c) by 40 per centum of the amount determined under the next sentence. The amount determined under this sentence shall be the average per pupil expenditure in the State except that (A) if the average per pupil expenditure in the State is less than 80 per centum of the average per pupil expenditure in the United States, such amount shall be 80 per centum of the average per pupil expenditure in the United States, or (B) if the average per pupil expenditure in the State is more than 120 per centum of the average per pupil expenditure in the United States, such amount shall be 120 per centum of the average per pupil expenditure in the United States. In any case in which such data are not available, subject to paragraph (3), the grant for any local educational agency in a State shall be determined on the basis of the aggregate amount of such grants for all such agencies in the county or counties in which the school district of the particular agency is located, which aggregate amount shall be equal to the aggregate amount determined under the two preceding sentences for such county or counties, and shall be allocated among those agencies upon such equitable basis as may be determined by the State educational agency in accordance with basic criteria prescribed by the Commissioner.

(3)(A) Upon determination by the State educational agency that a local educational agency in the State is unable or unwilling to provide for the special educational needs of children described in clause (C) of paragraph (1) of subsection (c), who are living in institutions for neglected or delinquent children, the State educational agency shall, if it assumes responsibility for the special educational needs of such children, be eligible to receive the portion of the allocation to such local educational agency which is attributable to such neglected or delinquent children, but if the State educational agency does not assume such responsibility, any other State or local public agency, as determined by regulations established by the Commissioner, which does assume such responsibility shall be eligible to receive such portion of the allocation.

(B) In the case of local educational agencies which serve in whole or in part the same geographical area, and in the case of a local educational agency which provides free public education for a substantial number of children who reside in the school district of another local educational agency, the State educational agency may allocate the amount of the grants for those agencies among them in such manner as it determines will best carry out the purposes of this title.

(C) The grant which Puerto Rico shall be eligible to receive under this subpart for a fiscal year shall be the amount arrived at by multiplying the number of children counted under subsection (c) by 40 per centum of (1) the average per pupil expenditure in Puerto Rico or (2) in the case where such average per pupil expenditure is more than 120 per centum of the average per pupil expenditure in the United States, 120 per centum of the average per pupil expenditure in the United States.

grant...shall be determined by multiplying the number of children ... by a (per child entitlement)...

(determining the average per pupil expenditure, within limits, and multiplying by 40% to arrive at a per child entitlement)

(subcounty allocation requirement)

(state responsibility for assuring service to children in N&D institutions)

(allocating funds to districts which serve children from other districts)...in such manner as (the SEA) determines will best carry out the purposes of this title..

(4) For purposes of this subsection, the term "State" does not include Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

(b) A local educational agency shall be eligible for a basic grant for a fiscal year under this part only if it meets the following requirements with respect to the number of children counted under subsection (c):

(1) In any case (except as provided in paragraph (3)) in which the Commissioner determines that satisfactory data for the purpose of this subsection as to the number of such children are available on a school district basis, the number of such children in the school district of such local educational agency shall be at least ten.

(2) In any other case, except as provided in paragraph (3), the number of such children in the county which includes such local educational agency's school district shall be at least ten.

(3) In any case in which a county includes a part of the school district of the local educational agency concerned and the Commissioner has not determined that satisfactory data for the purpose of this subsection are available on a school district basis for all the local educational agencies for all the counties into which the school district of the local educational agency concerned extends, the eligibility requirement with respect to the number of such children for such local educational agency shall be determined in accordance with regulations prescribed by the Commissioner for the purposes of this subsection.

(c)(1) The number of children to be counted for purposes of this section is the aggregate of (A) the number of children aged five to seventeen, inclusive, in the school district of the local educational agency from families below the poverty level as determined under paragraph (2) (A), (B) two-thirds of the number of children aged five to seventeen, inclusive, in the school district of such agency from families above the poverty level as determined under paragraph (2) (B), and (C) the number of children aged five to seventeen, inclusive, in the school district of such agency living in institutions for neglected or delinquent children (other than such institutions operated by the United States) but not counted pursuant to section 123 for the purposes of a grant to a State agency, or being supported in foster homes with public funds.

(c)(2)(A) For the purposes of this section, the Commissioner shall determine the number of children aged five to seventeen, inclusive, from families below the poverty level on the basis of the most recent satisfactory data available from the Department of Commerce for local educational agencies (or, if such data are not available for such agencies, for counties); and in determining the families which are below the poverty level, the Commissioner shall utilize the criteria of poverty used by the Bureau of the Census in compiling the 1970 decennial census.

(minimum of ten children to receive a grant)

(definition of number of children to be counted includes poverty children, AFDC above poverty, N&D and foster)

(allows USOE to use county data instead of district data)

(defines poverty children as 1970 census counts)

(B) For purposes of this section, the Secretary of Health, Education, and Welfare shall determine the number of children aged five to seventeen, inclusive, from families above the poverty level on the basis of the number of such children from families receiving an annual income, in excess of the current criteria of poverty, from payments under the program of aid to families with dependent children under a State plan approved under title IV of the Social Security Act; and in making such determinations the Secretary shall utilize the criteria of poverty used by the Bureau of the Census in compiling the 1970 decennial census for a nonfarm family of four in such form as those criteria have been updated by increases in the Consumer Price Index. The Secretary shall determine the number of such children and the number of children of such ages living in institutions for neglected or delinquent children, or being supported in foster homes with public funds, on the basis of the caseload data for the month of January of the preceding fiscal year (using, in the case of children described in the preceding sentence, the criteria of poverty and the form of such criteria required by such sentence which were determined for the second calendar year preceding such month of January) or, to the extent that such data are not available to him before April 1 of the calendar year in which the Secretary's determination is made, then on the basis of the most recent reliable data available to him at the time of such determination.

(C) When requested by the Commissioner, the Secretary of Commerce shall make a special estimate of the number of children of such ages who are from families below the poverty level (as determined under paragraph (A) of this subsection) in each county or school district, and the Commissioner is authorized to pay (either in advance or by way of reimbursement) the Secretary of Commerce the cost of making this special estimate. The Secretary of Commerce shall give consideration to any request of the chief executive of a State for the collection of additional census information. For purposes of this section, the Secretary shall consider all children who are in correctional institutions to be living in institutions for delinquent children.

(d) (1) From the amount allotted for payments to the Secretary of the Interior under clause (B) (1) in the second sentence of subsection (a) (1), the Secretary of the Interior shall make payments to local educational agencies, upon such terms as the Commissioner determines will best carry out the purposes of this title, with respect to out-of-State Indian children in the elementary and secondary schools of such agencies under special contracts with the Department of the Interior. The amount of such payment may not exceed, for each such child, 40 per centum of (A) the average per pupil expenditure in the State in which the agency is located or (B) 120 per centum of such expenditure in the United States, whichever is the greater.

(2) The amount allotted for payments to the Secretary of the Interior under clause (B) (1) in the second sentence of subsection (a) (1) for any fiscal year shall be, as determined pursuant to criteria established by the Commissioner, the amount necessary to meet the special educational needs of educationally deprived Indian children on reservations serviced by elementary and secondary schools operated for Indian children by the Department of the Interior. Such payments shall be made pursuant to an agreement between the Commissioner and the Secretary containing such assurances and terms as the Commissioner determines will best achieve the purposes of this title. Such agreement shall contain (A) an assurance that payments made pursuant to this subparagraph will be used solely for programs and projects approved by the Secretary of the Interior which meet the applicable requirements of section 141(a) and that the Department of the Interior will comply in all other respects with the requirements of this title, and (B) provision for carrying out the applicable provisions of sections 141(a) and 142(a) (3).

(defines AFDC children above poverty,
and specifies dates for their counting)

(specifies dates for N&D and foster
children counts)

(authorizes Census Bureau to make
estimates of children in poverty)
...in each county or school district...

(includes correctional institutions
as N&D)